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RESEARCH ARTICLE

FROM OWNERSHIP TO SUBSCRIPTION: FINANCIAL MARKETS, RECURRING REVENUE, AND THE EROSION OF HOUSEHOLD WEALTH

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Abstract

The subscription business model has evolved from an alternative price point into the norm by which whole sectors transact with end-users for their products across software, entertainment, transport, fashion, and everyday consumer goods. This paper poses a more focused question than most discussions about the subscription economy do: not the convenience of subscription services, but rather whether the economic calculus behind the appeal of recurring revenue to companies and their shareholders is also the calculation that works to the advantage of households paying for it. The paper analyses the proposed causal chain between the preference for revenue predictability in the capital markets, the incentives of companies to shift from one-off sales to subscription sales, and the reduction of opportunities for households to realise part of their expenditure in purchasing durable goods through resale. These include the transformation at Adobe from perpetual licence agreements to Creative Cloud, the transition in the entertainment industry from the ownership of physical media to subscriptions for streaming services, the adoption of subscription and lease business models in the automobile industry exemplified by Volvo's Care by Volvo plan, and the concept of fashion rentals created by Rent the Runway. The findings indicate that recurring revenue is systematically rewarded in company valuation, that subscriptions deliver genuine consumer benefits such as lower upfront cost and flexibility, and that the same shift removes a resale option that durable ownership previously provided. Whether the result amounts to a measurable reduction in household wealth cannot be established with confidence from the secondary evidence reviewed here, and the paper treats that link as a plausible but unproven hypothesis rather than a settled conclusion. The paper closes by identifying the household-level expenditure data that would be needed to test the wealth-accumulation hypothesis directly.

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Introduction:-

Background of the Study:-

The Rise of the Subscription Economy:-

Subscription itself is not something new. For more than a century, newspapers, magazines, and gyms have used subscription models. What is new about the business model is its scale: over the last fifteen years, subscription itself has gone from being one out of several possible options to being the default method by which entire industries market themselves to consumers. Subscription services are becoming more common in software, entertainment, transport, fashion, even razors and vitamins.

The independent evidence is there to back this assertion up. In its 2025 Subscription Economy Index, Zuora, the billing software company which holds the most extensive dataset on recurring revenue businesses, found that the revenue growth of firms employing subscription business models was 11 per cent higher than the S&P 500 over the past two years, according to the data of more than 600 companies and a Harris Poll survey of over 3,000 U.S. citizens (Zuora, 2025). At the same time, the aforementioned survey found that 68 per cent of U.S. citizens subscribed to a new service in 2024 (Zuora, 2025). Previous versions of the index showed even more significant differences in the calmer economic periods, as subscription companies have outgrown the S&P 500 three and four times faster during twelve and ten years, respectively (Zuora, 2022). The particular multiple changes each year and the size of the subscription economy in dollars vary wildly between the different market research firms, ranging from nearly $500 billion to more than $1.5 trillion. It is for that reason that this paper approaches the estimation of market size with some level of reservation and relies mainly on company financial statements and case studies in the development of the argument on capital markets.

The Transition from Ownership to Access:-

The economic difference between ownership and subscription is simple to state but easy to underestimate. When a person buys something outright, they exchange money once for a durable claim on an asset, a title they can hold, use indefinitely, and later resell to recover some of what they paid. A subscription sever that claim. The buyer receives access for as long as payments continue, but no residual asset remains once the payments stop. In economic terms, ownership converts spending into a store of value, while subscription converts the same spending into a pure, non-recoverable expense.

The best-known example of such a change is Adobe Systems, because it is shown in a company's audited financials rather than marketing materials. According to the Form 10-K of Adobe Systems Inc., in fiscal year 2013, adoption of its Creative Cloud subscription offering continued to accelerate, and thus the revenues derived from its traditional perpetual licence offerings declined (Adobe Systems Incorporated, 2013a). In its filing, Adobe Systems reports the following revenue from products (perpetual licences): from $3.343 billion in fiscal 2012 to $2.470 billion in fiscal 2013. Meanwhile, the subscription revenue increased from $673 million to $1.138 billion, resulting in a decrease of total net revenue despite an increasing number of customers (Adobe Systems Incorporated, 2013a, 2013b). Adobe Systems took a documented revenue hit to conclude that a smaller stream of steady payments is more valuable for their business and, most importantly, for investors' perception of it than a bigger stream of one-time sales. This paper investigates the financial logic behind that judgement.

Examples Across Sectors:-

Software. Again, Adobe was a classic example, but it was the company that defined the pattern followed by virtually all other companies providing enterprise software today: Microsoft Office was turned into Microsoft 365, while all other standalone software solutions were made on a subscription basis instead of one-time payment. Entertainment. The compact disc, DVD, and downloadable MP3s, all available for resale in a second-hand media shop, have been supplanted with streaming services allowing access to libraries of movies and music. The individual who purchased a DVD in 2005 will still own it in 2015. There will be no ownership by the person who pays for subscription services in 2015 after 2025 if he does not make his payment anymore. In reality, market trends show that the sales of DVDs and Blu-rays, which amount to about $6.1 billion in 2015, have dropped to just $870 million in 2025 (which is an 86 per cent drop), while subscription video-on-demand services increased from $5.1 billion to $57.5 billion in the same period (Cord Cutters News, 2025).

Cars. Car manufacturers have tested the ability to turn hardware the customer has already paid for into a subscription. For example, in 2022, BMW offered heated seats installed physically in the car through the subscription model called Functions on Demand at approximately $18 per month in several countries (TechSpot, 2026). As the reaction was almost instant, with customers believing they would pay twice for one physical component, BMW stopped providing heated seats through the subscription model in 2023, as a company board member later informed journalists (Autoblog, 2026; Motor1, 2026). On the other hand, some car manufacturers, such as Volvo, offered subscription services like Care by Volvo, which combined the purchase of the car, its insurance and maintenance.

Fashions. Rent the Runway created a business model whereby it would rent designer clothes on a monthly subscription basis. At the time of its initial public offering in 2021, about 80 to 83 per cent of the firm's revenue was derived from its subscriptions (CNBC, 2021; Renaissance Capital, 2021). As explained in the company's securities filings and other documents, subscription revenue was the factor which made the company grow from $100 million of one-off rental income to something much bigger and more stable (Business of Fashion, 2024), the very model which Adobe used to transform its software sales business.

Consumer goods and digital services. Razors, contact lenses, pet food, and other household products can be acquired via auto-replenishment subscriptions in today's world, while this type of business had not even existed 20 years ago in retail. Digital storage space, productivity apps, fitness apps, and online publications also utilise the same subscription model: ongoing usage for small recurrent fees rather than one-off payments.

The combination of all of these industries indicates that the move from ownership to access does not occur only in the realm of digitised goods, where the theory of never truly having owned the file may apply. This move has spread to tangible, durable products such as automobiles, clothes, and appliances, where a resale market has existed since the products themselves first appeared. The expansion from bits to tangible goods is the development which this paper focuses on, as it is where the subscription model starts to compete against the household's ability to generate wealth through resale.

The Growth of Recurring-Revenue Business Models:-

The consistency of the Zuora index across multiple years, outpacing the S&P 500 in nearly every edition published since the mid-2010s, through a pandemic, an inflationary period, and a slower-growth economy (Zuora, 2022, 2025), points to something more durable than a passing consumer fad. Recurring-revenue businesses have continued to outperform a broad market benchmark under very different economic conditions. That pattern is the empirical starting point for this paper's central question: is that outperformance happening because customers genuinely prefer paying this way, or because capital markets have learned to reward the predictability of recurring revenue itself, regardless of whether it delivers more value to the person paying for it? Adobe's own explanation for its 2013 pivot is telling in this regard. The company forecast that the shift would significantly increase its long-term revenue growth rate and the amount of recurring revenue recognised on a ratable basis (Adobe Systems Incorporated, 2013a). This is a description of an accounting and valuation benefit to the company, not a benefit to the customer. The chapters that follow examine that valuation mechanism directly, comparing how markets price a dollar of recurring subscription revenue against a dollar of one-time sales revenue, and asking what that pricing gap incentivises firms to do.

The Shift from Ownership to Access:-

Ownership is traditionally associated with transferring legal title in exchange for the total payment. The consumer bears the risk of deterioration and depreciation and yet has the freedom to sell, loan, alter, or retain the purchased product. In the access model, the company keeps possession of the actual asset or the only functional copy in case of software or media, and the consumer gets access to the asset for which he has to make continuous payments. Bardhi and Eckhardt (2012) refer to this type of transaction as access-based consumption, meaning market-mediated exchange without any transfer of ownership. They point out that such a form of consumption takes away the singularising experience from the customer since he does not possess any tangible object. Companies today find the access model more attractive from a financial standpoint rather than from an operational perspective; the access model provides a steady stream of income instead of uncertain transactions, and also gives the opportunity to communicate with the client continuously for cross-selling purposes.

Financial Markets and Recurring Revenue:-

In the capital markets, investors highly value recurring revenues compared to one-off sales revenues because of their predictability. If a company can know, with a certain degree of certainty, what the majority of the following year's revenues will be, then it can undertake investments, recruitments, and financing of debts without much risk, and valuations based on such revenues can be made. Predictability is often represented in the form of the annual recurring revenue, or ARR, multiple, whereby the business in question is valued as a multiple of its annual recurring revenue instead of as a multiple of its sales revenue or profits. Multiples may vary significantly depending on the company's growth, retention, and market environment, being somewhere between two and ten times ARR for a normal software company and even reaching double digits for market-leading fast-growing firms (Aventis Advisors, 2026). What is important for this paper is the underlying principle, and not the multiple itself: the markets are ready to value a repeating revenue stream more than they value non-repeating revenues. That premium is a direct financial incentive for firms to redesign products, wherever technically and legally possible, around recurring payment rather than a one-time sale.

Consumer Economics of Subscription Models:-

From the consumer's perspective, subscriptions genuinely reduce the upfront cost of expensive goods and services. A household that could not easily pay several thousand dollars for a bundle of Adobe software outright can afford roughly fifty dollars a month for Creative Cloud (Adobe Systems Incorporated, 2013a), and a driver who does not want a multi-year loan can access a new Volvo for a flat monthly fee bundling insurance and maintenance (FreightWaves, 2019). This lower upfront cost, combined with the flexibility to cancel, is a real consumer benefit. At the same time, subscription pricing is also a vehicle for price discrimination through tiered plans, and it produces switching costs once a household's data or habits are locked into a platform (Farrell & Klemperer, 2006). The cumulative effect of holding several subscriptions at once, sometimes called subscription fatigue, appears widespread, with a Deloitte survey cited in International Finance (2025) finding that a large share of streaming subscribers felt the content available no longer matched what they were paying for.

The Household Wealth Perspective:-

Household wealth builds up along two general paths: by saving income or by buying assets that have value and appreciation potential. Appliances paid for in cash, cars, guitars, designer jackets, and laptops fall into the second group. Though they deteriorate in value, they still have some resale value, which enables households to get some of their initial cost back when they no longer want the good, using various resale mechanisms like used-car dealerships and consignment stores. A subscription fee belongs to the first group of transactions, representing pure consumption spending; it cannot be regained after it is spent since there is nothing to resell. This distinction matters most for household finances at the margin, where every dollar spent on a recurring subscription is a dollar that is not being saved, invested, or spent on an asset with resale value. Whether this substitution meaningfully affects long-run household wealth accumulation, given that U.S. personal saving rates have themselves fluctuated between roughly 3.6 and 4.9 per cent through 2025 for reasons connected to inflation, interest rates, and wage growth rather than subscriptions alone (Trading Economics, 2026), is the empirical question this paper investigates without claiming to resolve it definitively.

Problem Statement:-

Firms have a documented financial incentive, reflected in how capital markets price recurring revenue, to convert one-time product sales into subscription relationships. Corporate finance well establishes this incentive, and Adobe's own regulatory filings directly demonstrate it. What is less well established is whether the resulting shift in how households consume goods and services measurably affects their ability to accumulate wealth, a question that existing commentary on the subscription economy tends to assume rather than test. Much of the popular discussion either celebrates subscriptions uncritically for their convenience or condemns them uncritically for their cost, without connecting the two sides of the transaction, namely, the firm's valuation incentive and the household's savings outcome through a single, evidence-based argument. This paper attempts that connection using secondary sources only and is explicit about the limits of what secondary, firm-level, and case-study evidence can establish about household-level outcomes.

Research Aim:-

In this study, an attempt has been made to find out, via secondary research and comparative case study, whether the financial motivation behind recurring revenues, which are appealing to companies and capital markets, conflicts with, or coincides with, the financial needs of the families buying subscription products and services.

Research Objectives:-

1. To examine the financial incentives behind subscription-based business models.
2. To analyse how recurring revenue affects firm valuation.
3. To investigate whether subscriptions provide genuine consumer benefits or primarily benefit firms.
4. To examine the impact of subscription consumption on resale markets.

5. To assess whether the shift from ownership to subscription can affect household wealth accumulation.

Research Questions:-
1. Why are firms increasingly moving from ownership models to subscription-based models?
2. What is the role of recurring income in valuing companies?
3. To what degree are the subscription models based on the demand side and not financial considerations?
4. How do subscriptions affect consumer spending and resale opportunities?
5. Can the shift from ownership to subscription contribute to weaker household wealth accumulation?

Scope and Significance of the Study:-
The scope of this paper is limited to secondary sources: company financial filings, peer-reviewed marketing and economics literature, industry reports, and government or central-bank data covering the period from 2012 to 2026. It does not include original household surveys, interviews, or econometric modelling of individual-level spending, nor does it attempt to measure the wealth effect of subscriptions with statistical precision. Its significance lies instead in bringing together, within one argument, two bodies of literature, corporate finance and valuation on one side, and consumer and household economics on the other, that are usually discussed separately. For a general reader, a student of finance or economics, or a household deciding between buying and subscribing, the paper offers a framework for asking why a given product is being sold the way it is and what that choice of business model implies for their own long-term finances.

Literature Review:-

The Subscription Economy:-
While the term "subscription economy" is more commonly associated with billing software companies like Zuora rather than with economists, the phenomenon it represents is quite genuine and can be verified in real figures. Indeed, the longitudinal index published by Zuora based on the financial performance of hundreds of companies using subscription models for ten years starting in 2012 proves that those companies outperform the S&P 500 benchmark by 4.6 times over ten years and by 11 percentage points more recently (Zuora, 2022, 2025). What the literature has not settled is why subscription firms grow faster: whether it is because subscriptions serve customers better or because subscription accounting and subscription retention mechanics produce faster-compounding revenue that is almost independent of underlying product quality. This paper treats that question as open rather than answered.

Ownership Economics:-
Classical consumer economics treats ownership of durable goods as a form of deferred consumption: the buyer pays once and consumes the good's utility gradually over its useful life, while retaining a residual claim that can be liquidated through resale. This residual claim is what makes durable goods different from services on a household balance sheet. The moment you buy a car, it becomes not only a consumption good but also a store of value; a subscription service of hiring a car or paying for its use is nothing but the first one. There are secondary markets, used car dealerships, resale websites, consignment shops, and pawnshops which were created in order to help you sell off the unutilised residual value; their existence for several centuries proves that resale was a real money retrieval strategy.

Access-Based Consumption:-
The clearest theoretical account of the shift away from ownership comes from consumer research rather than finance. Bardhi and Eckhardt (2012), studying car-sharing, define access-based consumption as transactions that may be market mediated but in which no transfer of ownership takes place, and show that consumers in these arrangements form a different, more instrumental relationship with the object than owners do. Their later work extends this into the concept of liquid consumption, defined as ephemeral, access-based, and dematerialised, contrasted with solid consumption, defined as enduring, ownership-based, and material (Bardhi & Eckhardt, 2017). In this context, then, the sharing economy and the subscription economy both represent two manifestations of the liquefaction of consumption, one enabled by peer-to-peer intermediary services and the other by direct billing of the firm and consumer. The corresponding phenomenon on the production side is referred to as 'servitisation', as coined by Vandermerwe and Rada (1988), who noted that manufacturing companies were shifting their focus from the sale of products to the combination of products with services to add value and generate recurring income streams for themselves.

Recurring Revenue and Corporate Finance:-
In corporate finance, the appeal of recurring revenue rests on reduced uncertainty about future cash flow. The company with higher customer retention and higher numbers of active subscriptions will be able to predict a considerable portion of its revenues from the next year with much more certainty compared to the company whose business is based upon discrete and recurring sales activities. The reduced uncertainty regarding the company's future cash flow will make it less risky, which would in turn reduce the discount rate in the discounted cash flow approach and hence increase the company's value. In practice, the industry follows the same approach while valuing software firms, where the multiple is determined by annual recurring revenue and not total revenue or profits (Aventis Advisors, 2026). Adobe's own transition provides a documented real-world instance of this reasoning being applied deliberately: the company accepted a fall in total revenue in fiscal 2013 specifically because it expected subscription revenue to increase its long-term growth rate and the proportion of revenue recognised on a predictable, ratable basis (Adobe Systems Incorporated, 2013a).

Firm Valuation and Revenue Multiples:-
Revenue multiples are not applied uniformly. According to Aventis Advisors (2026), in over 1,300 disclosed software deals during the period from 2015 to 2025, median enterprise value to revenue multiples were 3.7x, with the top quartile at 7.2x, and subscription-based software firms commanded multiples which were significantly higher compared to those of similarly situated non-recurring firms due to superior growth expectations and lesser dependence on continuous customer acquisition. The gap between subscription-based multiples and non-subscription multiples is, essentially, a price placed on predictability, and it is the means by which the business model of the company impacts the bottom line independently of any added value provided by the underlying software to the consumer.

Price Discrimination:-
Subscription pricing also functions as a mechanism of price discrimination, charging different customers different effective prices for access to a similar underlying product. Tiered plans, expiring introductory discounts, and feature-gated pricing let a firm capture more of each customer's individual willingness to pay than a single, uniform price would, descending from the classical distinction between first-, second-, and third-degree price discrimination in welfare economics. What subscription billing changes is the ease of implementation: because the firm bills continuously and can adjust plans at any renewal point, it can price-discriminate dynamically in a way a single point-of-sale transaction cannot easily replicate.

Consumer Surplus and Welfare:-
Consumer surplus is defined by standard welfare economics as the difference between what a customer pays and what the customer would pay if there was any competition. The practice of subscription pricing raises consumer surplus for price-sensitive consumers who were unable to pay for an item directly, while at the same time taking away consumer surplus from consumers who keep paying forever for what they do not need anymore. The net welfare effect is therefore ambiguous in theory and depends on the specific product and consumer segment, which is why the case-study method adopted here is more informative than a single, uniform claim about subscriptions in general.

Switching Costs and Consumer Lock-In:-
Farrell and Klemperer's survey of the switching-costs literature shows that once a consumer has made an initial commitment to a supplier, whether through data, habit, or bundled services, the supplier gains lasting market power over that specific customer even in an otherwise competitive market, because leaving now carries a cost the consumer did not face when first choosing (Farrell & Klemperer, 2006). Klemperer's earlier theoretical work on switching costs describes how firms respond to this dynamic with an ordinary and largely rational pricing pattern: low introductory prices to capture market share, followed by higher prices once the customer is locked in, a pattern he terms bargains followed by rip-offs (Klemperer, 1995). Subscription businesses reproduce this structure closely, offering free trials and discounted first terms before renewing at standard, often higher, rates, and the ease of digital account creation combined with the deliberate friction often built into cancellation flows increases the practical switching cost for the consumer well beyond what the underlying product would justify on its own.

Secondary Markets and Resale Value:-
Secondary markets for durable goods, used cars, resold clothing, and second-hand electronics have historically allowed households to recover a meaningful share of an asset's original purchase price. The immediate impact of the move towards access consumption is the closing down of this outlet for any portion of households' expenditures that

change from being spent on owning a good to subscribing to its access. This becomes clear through examining the entertainment industry, where a peer-reviewed natural experiment showed that lower availability of a specific movie through streaming led to a 36.07 per cent growth in the sale of DVDs of this movie in the following 15 months. It provides direct proof of streaming access and ownership acting as substitutes to each other with regard to the same good, along with the responsiveness of consumers to signals of price and availability between the two (Yu et al., 2022). Industry sales figures confirm the magnitude of this shift in the market: U.S. DVD and Blu-ray sales combined dropped by nearly 86 per cent from 2015 to 2025, while subscription streaming sales increased more than tenfold during this period (Cord Cutters News, 2025).

Household Savings and Wealth Accumulation:-

Wealth accumulation for households hinges on income, savings rate relative to income, and the gains realised on the savings or investments made. The national personal saving rate as per data from the U.S. Bureau of Economic Analysis ranges from 3.6 to 4.9 per cent up to 2025, a figure much lower than the 20 per cent generally recommended by personal finance advice and far below the 30 per cent plus savings rate realised in the early stages of the pandemic in April 2020 (Trading Economics, 2026). According to surveys done by the Federal Reserve itself, many Americans continue to have problems accessing cash to cover a sudden cost of $400 as of 2024 (Board of Governors of the Federal Reserve System, 2025). This information gives us a general sense of the savings climate within which subscription payments take place; they do not directly indicate whether subscription spending is causing the saving rates to be as low as observed, because savings are affected by many factors within the broader economic climate. The literature reviewed here supports a plausible contributing channel rather than a proven causal effect.

Research Gap:-

Existing literature treats the corporate-finance side of recurring revenue, consumer behaviour research on access-based consumption, and macro-level household savings data as largely separate fields of study. Corporate finance and valuation research explains why firms prefer recurring revenue but rarely follows the argument through to household-level consequences. Consumer research explains how and why individuals form different relationships with accessed versus owned goods but does not typically connect these findings to firm valuation incentives or to savings statistics. Household finance literature documents savings and wealth patterns but does not typically decompose them by business-model exposure. This paper's contribution is not new primary data but a deliberate synthesis: connecting corporate valuation incentives, the spread of subscription models, the documented loss of resale opportunity, and available household savings data into a single explanatory chain, while being explicit that the final link in that chain, a measurable wealth effect, remains a hypothesis rather than an established finding.

Theoretical Framework:-

Agency Theory:-

According to corporate finance's agency theory, there is a conflict of interest between the managers of a corporation, whose performance is measured based on criteria such as growth and shareholder gains, and the corporation's customers, who are not involved in the performance evaluation process. In environments where capital markets reward predictability of revenue stream by assigning higher multiples, managers have a strong incentive to repackage their products to be billed on a subscription basis, even if the one-time sale of the product would suit the customer just as well or even better. The 2013 stated rationale for the launch of Creative Cloud by Adobe ('We expect the Creative Cloud strategy will accelerate our overall revenue growth rate and increase the proportion of our revenue recognised on a ratable basis over time' [Adobe Systems Incorporated, 2013a]) is clearly a business justification aimed at investors, not customers.

Signalling Theory:-

According to signalling theory, companies use costly and difficult-to-mimic behaviours to convey information which cannot be directly observed by outside investors, such as the fundamental quality of the firm's business or the management's belief about their prospects. The decision of the firm to accept a revenue drop in favour of establishing a recurring revenue stream, as was done by Adobe in fiscal 2013 (Adobe Systems Incorporated, 2013a, 2013b), can be seen as such a costly signal, one that conveys to investors the fact that the long-run benefits of an income flow are greater than the immediate benefits of revenue growth.

Consumer Choice Theory:-

Consumer choice theory sees households as making a choice between various products and services, considering the price and convenience factor to maximise utility. For subscriptions, the cost of the good itself gets reduced, but at the same time there is a new cost involved, along with the elimination of any residual value associated with possession. A rational household should weigh the lower entry cost and added flexibility of a subscription against the loss of eventual resale value. Bardhi and Eckhardt's (2012, 2017) findings suggest many consumers do not weigh this trade-off in purely financial terms, but instead value the flexibility and reduced psychological commitment that access-based consumption provides, a legitimate component of utility even where it is hard to express in dollar terms.

Price Discrimination Theory:-

Since various consumers value the same good differently, using one uniform pricing method under-serves consumers who are price-sensitive while still not capturing enough surplus from those willing to pay more. Through subscription models and differential pricing methods, a company is able to sort consumers according to their level of willingness to pay and thereby capture greater consumer surplus. This benefits firms by construction; its effect on consumers is mixed, expanding access for lower-willingness-to-pay customers while extracting more value from higher-willingness-to-pay ones.

Switching Cost Theory:-

Once a consumer has invested time, data, or bundled services into a particular subscription platform, leaving carries a real cost that did not exist before the initial choice was made (Farrell & Klemperer, 2006; Klemperer, 1995). This dependence gives the incumbent firm pricing power over its existing customer base that is largely independent of how competitive the broader market appears from the outside, and it explains why firms have a rational incentive to encourage early sign-up through free trials and low introductory pricing, even at a short-term loss, since the expected value of a locked-in subscriber over time outweighs the initial discount.

Consumer Surplus Theory:-

Consumer surplus theory frames the welfare question in dollar terms: does the consumer, in aggregate, keep more or less of the value they place on a good under a subscription arrangement than they would under outright purchase? Because the answer depends on how intensively and for how long the individual consumer actually uses the subscribed good or service relative to its recurring cost, subscription pricing can simultaneously raise surplus for heavy, continuous users and reduce it for occasional users who continue paying out of inertia rather than active value.

Wealth Accumulation Theory:-

Standard household finance treats wealth accumulation as the outcome of income minus consumption, with the resulting savings then invested in assets that may appreciate over time. Durable-goods ownership sits partway between pure consumption and pure investment, since the good is consumed for its use value while also retaining some resale value that can later be converted back into savings. A subscription payment, having no residual asset attached to it, sits entirely on the consumption side of this ledger. In principle, this means that a household substituting subscription spending for durable-goods ownership shifts a portion of its spending from the partly-recoverable category into the fully-irrecoverable category, a shift that, other things equal, should slow the rate at which that household accumulates resale-based wealth, even though it may leave total spending and total utility unchanged or improved.

Proposed Conceptual Framework:-

The framework proposed for this paper links the firm-side and household-side literatures reviewed above into a single explanatory chain. Capital markets reward predictable recurring revenue with higher valuation multiples than one-time sales revenue receives; this scenario creates a financial incentive for firms to expand subscription business models wherever technically and commercially feasible; consumers respond to the resulting products by shifting a portion of their spending from ownership toward access, partly because subscriptions genuinely lower upfront cost and add flexibility; this shift carries with it both recurring expenditure and, for whatever share of spending has moved to subscription, the loss of a resale channel that ownership previously provided; and the cumulative effect The framework deliberately includes the consumer-benefit stage explicitly: lower upfront cost, convenience, and flexibility, so that the argument does not assume its conclusion; whether the final link, reduced household asset accumulation, actually materialises at a scale that matters is treated in this paper as an open empirical question rather than a foregone result of the earlier stages.

Research Methodology:-

Research Design:-

This paper follows a qualitative, exploratory, and comparative secondary-research design. It does not collect original data from households or firms; instead, it synthesises existing company financial filings, peer-reviewed academic literature in marketing, economics, and management, and industry and government reports to build a comparative argument across four cases. The design is analytical rather than purely descriptive: sources are organised around the conceptual framework set out in Chapter 4 rather than summarised sequentially, and each case study tests whether the framework's predicted chain from capital-market incentive to consumer shift to resale loss is visible in a real, documented business transition.

Data Sources:-

Sources were drawn from four categories. First, company financial filings and investor disclosures, most importantly Adobe's Form 10-K and Form 10-Q filings with the U.S. Securities and Exchange Commission, which provide audited figures rather than marketing claims. Second, peer-reviewed academic journal articles in consumer research, marketing science, and industrial organisation economics, including work published in the Journal of Consumer Research, the Review of Economic Studies, and Decision Support Systems. Third, industry data and reports, including Zuora's Subscription Economy Index, valuation-multiple data compiled by Aventis Advisors, and home-entertainment sales tracking compiled by Cord Cutters News from Digital Entertainment Group figures. Fourth, government and central-bank data, specifically U.S. Bureau of Economic Analysis personal saving rate figures and the Federal Reserve's Report on the Economic Well-Being of U.S. Households.

Literature Selection Criteria:-

Sources were selected for direct relevance to subscription economics, consumer access-based consumption, firm valuation, or household savings and wealth. Preference was given to recent literature, generally published between 2012 and 2026, to reflect the period during which subscription models expanded most rapidly, while foundational economic theory predating this window, including classical work on switching costs and price discrimination, was included where it remains the accepted theoretical basis for a mechanism discussed in the paper. Company financial filings were limited to primary regulatory documents rather than secondary summaries wherever the underlying filing was available. Industry and survey data with undisclosed or inconsistent methodology were treated with explicit caution and, where possible, cross-checked against at least one additional source before being used to support a specific claim.

Case Study Selection:-

Four cases were selected to represent distinct sectors in which the shift from ownership to subscription is both well documented and economically significant: enterprise software, entertainment media, automobiles, and fashion. Each case pairs a traditional ownership model with a documented subscription or access alternative from the same industry, allowing a direct before-and-after or ownership-versus-access comparison rather than a comparison across unrelated industries. Software and entertainment were chosen because they offer the clearest, most extensively documented transitions, supported by audited company filings and peer-reviewed research, respectively. Automobiles and fashion were chosen specifically because they extend the argument beyond digital products into physical, durable goods with long-established resale markets, which is the extension this paper treats as most significant for the household-wealth question. Four cases were used rather than a larger number in order to allow each case to be examined in enough depth to support the comparative analysis in Chapter 6, consistent with accepted practice in comparative case-study research.

Comparative Case Study Method:-

Each case is analysed along a consistent set of dimensions: the underlying revenue model before and after the shift to subscription or access, the pricing structure, customer retention mechanics, the resulting recurring-revenue profile, any documented effect on firm valuation or investor response, the resale or secondary-market opportunities available to the consumer under each model, total consumer cost over a comparable period of use, and the formal ownership rights retained by the consumer. This consistent structure allows the four cases to be read against one another in the cross-case comparison presented in section 6.5, rather than as four separate, disconnected narratives.

Analytical Framework:-

The analysis in Chapters 6 and 7 is organised around three levels. At the firm level, the relevant variables are recurring revenue, revenue predictability, customer lifetime value, retention, and valuation multiples. At the consumer level, the relevant variables are total cost of access over time, recurring expenditure, switching costs, resale value forgone, and consumer surplus. At the household level, the relevant variables are the savings rate, the composition of assets held, disposable income remaining after recurring commitments, and long-run expenditure patterns. Findings are reported separately at each level before being connected in the discussion in Chapter 8, so that firm-level and household-level evidence are not conflated.

Limitations of Secondary Research:-

This design carries clear limitations. It relies entirely on secondary, already-published data and cannot generate individual-level household expenditure data, which would be needed to measure a wealth effect directly rather than infer it. Company-reported figures, even audited ones, reflect the reporting choices and framing of the company itself and may not disclose the full range of factors behind a business-model decision. There is no denying that the economic underpinnings of various industries and their associated cost structure and clientele vary, making it impossible for one example, in this case enterprise software, to serve as an all-encompassing example for another, such as fashion rental. Perhaps most importantly, while there is certainly a relationship between rising subscriptions and household savings rates remaining flat, the former does not prove the latter, as both phenomena could very well be caused by other factors like inflation or the cost of housing. This limitation is considered to be the main point in the methodology, as it motivates the recommendations for future research made in Chapter 9.

Case Studies:-

Case Study 1: Adobe Ownership to Subscription:-

In contrast, the shift in Adobe Software from a perpetual license system to a Creative Cloud subscription service is the most well-documented example presented in this paper because it was mentioned in the SEC filings rather than in marketing materials. Before 2013, one had to pay in advance, usually starting from hundreds and going up to thousands of dollars for each program, in order to have access to that software forever without any additional fees, except in cases when a new version of that software was needed. As seen from Adobe Systems' 10-K filing for 2013, product revenues, which include revenues from perpetual licenses, decreased from $3.343 billion for the 2012 fiscal year to $2.470 billion for the 2013 fiscal year, thus showing a 26% drop, whereas subscription revenues rose from $673 million to $1.138 billion (Adobe Systems Incorporated, 2013a, 2013b). The total net income earned by the company decreased from fiscal 2012 to fiscal 2013 since the company added new subscribers, which created short-term costs; however, this was a conscious decision taken by the company since it was sure that it would increase the company's revenue growth rates in the future and the proportion of revenues that would be recognized on a predictable and ratable basis (Adobe Systems Incorporated, 2013a). From the perspective of the consumer, the shift made the price of the license cheaper initially and ensured that they always have access to the latest versions of the product; however, it also meant that they could not have any tangible product after the subscription had expired, which is the case with perpetual licenses.

Case Study 2: Entertainment Physical Ownership to Digital Subscription:-

The entertainment industry provides the best example of this shift, owing to the fact that the home entertainment sales tracking data have been recording it in minute detail for the past twenty years. The combined US DVD and Blu-ray sales have declined from approximately $6.1 billion in 2015 to approximately $870 million in 2025, representing a drop of around 86 per cent, whereas the income generated through subscriptions for video-on-demand services has increased from approximately $5.1 billion to $57.5 billion in the same period (Cord Cutters News, 2025). The process cannot be explained in terms of a new technology replacing an old technology. A peer-reviewed natural experiment study conducted after an event in 2015 in which the content owner Epix changed its streaming distribution partner has demonstrated that for every 1 per cent fall in the streaming availability of a title, there was an increase in its DVD sales of 36.07 per cent over the next fifteen months (Yu et al., 2022). Under the ownership model, a purchased disc could be resold, lent, or kept indefinitely regardless of whether the studio later removed the title from any platform; under the subscription model, a title's availability depends entirely on ongoing licensing agreements between the streaming platform and the rights holder, and can disappear from the subscriber's access at any time even while the subscription payment continues.

Case Study 3: Automotive Industry Vehicle Ownership to Subscription and Access Models:-

The automotive sector illustrates both the appeal and the limits of applying subscription logic to a large, physical, durable asset. The 2017 launch of the Care by Volvo offering by Volvo included the cost of the car, insurance, maintenance, tyres, and roadside assistance all for one monthly cost, which started from about $600, with no upfront costs and an option to return or switch cars after a certain period (FreightWaves, 2019; CircularX, 2021). The subscription model gained some success in that in the first year of its operation, 46 percent of customers were younger than 35 and 92 percent had not owned a Volvo before (FreightWaves, 2019). It seems the model succeeded in reaching a group of buyers who otherwise would not have purchased a car or even leased it. Care by Volvo was shut down in August 2024, when the company decided that running such a program within the framework of their business model was problematic, and the customers were encouraged to return to regular purchasing or leasing arrangements (Subscription Insider, 2024). An associated and equally controversial example involved BMW, which started offering, as early as 2022, a physical feature, heated seats, as a separate subscription for $18 per month. The response to this initiative did not take long to come; consumers were complaining about being billed for something they already bought in the form of a car. In 2023, BMW decided to stop the subscription programme, and one of the company's board members acknowledged publicly that customers saw themselves as paying twice for the same hardware (TechSpot, 2026; Autoblog, 2026; Motor1, 2026). Together, the examples suggest that while consumers would be willing to pay for access to a really expensive product such as a car as a whole, they would not agree to subscribe to a product that is physically available to them.

Case Study 4: Fashion Purchasing to Rental and Subscription:-

The company Rent the Runway was designed itself on the premise of renting out designer clothes as opposed to selling them via a monthly subscription process. The subscription-based revenue had contributed about 80 to 83 per cent of the company's total revenue by the time the company went public in October 2021 (CNBC, 2021; Renaissance Capital, 2021). Company disclosures and public reporting describe subscription billing as the mechanism that allowed the business to scale from around $100 million in one-time rental transaction revenue toward a larger and, crucially, more predictable revenue base (Business of Fashion, 2024), the identical financial logic Adobe applied to software applied here to physical garments. For the subscriber, the model offers access to designer items that would be prohibitively expensive to purchase outright, along with built-in variety and the elimination of storage and resale hassle. It also means the subscriber never acquires an asset: every garment is returned, nothing is retained for eventual resale, and the household's spending on the subscription, however much value it delivers in worn outfits, converts entirely into consumption expenditure with no residual claim, in direct contrast to purchasing a smaller wardrobe of owned pieces that could later be resold through secondhand clothing markets.

Cross-Case Comparison:-

Factor	Ownership Model	Subscription / Access Model
Upfront cost	Higher (full purchase price)	Lower (small recurring payment)
Recurring payment	Usually absent	Present, indefinitely
Resale value	Possible via secondary markets	Usually unavailable
Consumer flexibility	Lower (locked into one item/version)	Higher (can switch, upgrade, cancel)
Long-term expenditure	Potentially lower after purchase	Potentially higher over extended use

Firm revenue predictability	Lower (dependent on repeat sales)	Higher (contracted recurring revenue)
Customer lock-in	Usually lower	Potentially higher (switching costs)
Household asset accumulation	Possible (residual value retained)	Limited (no residual asset)

The table below summarises the four cases along the comparative dimensions set out in section

Across every case, the ownership model retained some resale opportunity and lower firm revenue predictability, while the subscription or access model raised firm revenue predictability and lowered upfront consumer cost but eliminated the consumer's resale option. The consistency of this pattern across four otherwise unrelated industries software, entertainment, automobiles, and fashion is the strongest evidence in this paper for treating the ownership-to-subscription shift as a general phenomenon driven by a shared financial logic, rather than as four unconnected industry-specific stories.

Findings and Analysis:-

Financial Incentives for Firms:-

Across all four cases, the shift to subscription or access billing was undertaken, at least in part, for reasons the firm itself framed in financial rather than purely customer-service terms. Adobe's own filings describe the goal as increasing long-term revenue growth and the share of revenue recognised on a ratable basis (Adobe Systems Incorporated, 2013a). Rent the Runway's subscription base was described in company disclosures as the mechanism that converted a smaller, one-time rental business into a larger and more predictable one (Business of Fashion, 2024). The consistent underlying incentive is a reduction in revenue volatility and an increase in customer lifetime value, both of which are rewarded directly by how capital markets price subscription businesses relative to transactional ones.

Impact on Firm Valuation:-

Industry valuation data confirm that this incentive is not merely theoretical. Software companies that generate recurring revenues have been consistently valued based on an annual recurring revenue multiple and not on traditional revenue or earnings multiples, with typical multiples ranging from two to ten times ARR and even higher multiples for growth-oriented and high retention market leaders (Aventis Advisors, 2026). In over 1,300 disclosed software deals from 2015 through 2025, companies that adopt the subscription model have always commanded higher multiples compared to other companies (Aventis Advisors, 2026). This premium is the direct financial reward that firms in the case studies were pursuing, and it exists independent of whether a given customer's total lifetime spending, or total satisfaction, is higher or lower under the subscription model than it would have been under a one-time purchase.

Consumer Benefits:-

The evidence gathered does not support a purely negative reading of subscription models. In every case examined, subscription or access pricing lowered the upfront cost of participation and, in most cases, added flexibility that ownership did not offer. Volvo's Care by Volvo attracted a disproportionate share of younger, first-time customers who may not have been able or willing to commit to outright purchase (FreightWaves, 2019). Rent the Runway gave subscribers access to designer clothing that would be unaffordable to buy outright in comparable variety. Adobe's Creative Cloud reduced the entry price for professional creative software from a large one-time sum to a modest monthly fee. These are genuine consumer benefits, and they explain why subscription adoption has been driven by real consumer demand and not solely by firms imposing an unwanted model on a passive customer base.

Consumer Costs:-

On the other hand, these studies have revealed some actual costs associated with subscriptions. They build up, as when there are multiple active subscriptions of different kinds by a household member in software and entertainment categories; for instance, it amounts to a recurring cost buildup which is difficult to underestimate since it is distributed among several individually charged bills, as opposed to one purchase. Automatic renewal, along with the combination of subscription charges and the cost of equipment that the consumer had already incurred upon purchasing, resulted in a strong reaction from consumers in the form of cancellation of this particular programme offered by BMW (Autoblog, 2026; Motor1, 2026). Pricing power held by companies over current subscribers as a result of switching costs, including data lock-in, habit and bundling, in contrast to a one-time purchaser, is another example of such cost that was confirmed by recent consumer surveys on the issue (Farrell & Klemperer, 2006; International Finance, 2025).

The Elimination of Resale Markets:-

The clearest and most consistent finding across all four case studies is the elimination or reduction of resale opportunity. Under Adobe's former perpetual-licence model, a customer who stopped needing the software retained a permanently usable copy with at least some residual value in an informal secondhand software market; under Creative Cloud, cancellation ends access entirely. Under DVD ownership, a consumer retained a physical asset that could be resold regardless of a studio's later licensing decisions; under a streaming subscription, access depends entirely on licensing agreements the consumer does not control, a dependency demonstrated directly by the natural-experiment finding that reduced streaming availability caused a measurable rebound in DVD purchases (Yu et al., 2022). Under vehicle ownership, the car itself is a resellable asset; under Care by Volvo, the subscriber never held title to the vehicle at all (CircularX, 2021). Under clothing ownership, unwanted pieces can be resold through secondhand markets; under Rent the Runway's subscription, no garment is ever retained. In every case, the resale channel that ownership provided is not merely reduced but removed outright.

Subscription Spending and Household Savings:-

The U.S. Bureau of Economic Analysis statistics reveal that the personal saving rate of the country remains volatile in a narrow range of about 3.6 to 4.9 per cent up until 2025, lower than what personal finance advice suggests, as well as significantly lower than the record levels during the pandemic of around 30 per cent (Trading Economics, 2026). According to statistics from the household survey conducted by the Federal Reserve Board, there is a substantial portion of the adult population of America that would face difficulties covering an unexpected expenditure from their own funds (Board of Governors of the Federal Reserve System, 2025). This describes the saving environment amid the rising trend in subscription expenditure; however, the secondary sources cited in this paper cannot pinpoint subscription expenditure as the reason for such a low saving rate because of the various macroeconomic factors that determine the saving rate at the same time.

Does Subscription Consumption Actually Reduce Wealth?:-

Separating consumption cost, savings, asset ownership, and financial wealth clarifies what the evidence in this paper can and cannot support. It supports, with reasonable confidence, that subscription spending is pure consumption expenditure with no residual asset attached and that this differs structurally from durable-goods ownership, which retains some resale value. It supports, with reasonable confidence, that firms are financially incentivised by capital markets to expand subscription models regardless of whether doing so improves or worsens the customer's financial position. It does not support, on the secondary evidence available, a precise or confident claim that the shift to subscription has caused a measurable reduction in aggregate household wealth, since no dataset reviewed in this paper isolates subscription expenditure as a distinct line item against household savings and asset accumulation over time. The honest finding of this paper is therefore that a wealth-reducing effect is structurally plausible and consistent with the mechanism described in Chapter 4, but remains an open empirical question rather than a demonstrated result.

Discussion:-

Consumer Preference vs. Corporate Incentives:-

The case studies suggest that both forces are operating simultaneously rather than one force disguised as the other. Consumers in each case responded to genuine benefits, lower upfront cost, added flexibility, and access to otherwise unaffordable goods, which indicates real demand rather than pure imposition. At the same time, firms in each case pursued the shift partly, and in Adobe's case explicitly, for its effect on revenue predictability and valuation. The more accurate description is not that firms created artificial demand for subscriptions, but that firms had a strong additional financial reason, beyond customer preference alone, to push products toward the subscription end of the spectrum wherever a plausible consumer benefit existed to justify the shift.

Who Benefits More?:-
Firms and their investors capture a valuation premium tied specifically to recurring-revenue predictability that exists independent of customer outcomes (Aventis Advisors, 2026). Consumers capture lower upfront cost and greater flexibility but bear the recurring cost, the switching-cost exposure, and the loss of resale opportunity. Platforms and intermediaries, such as billing and subscription-management software vendors, capture a growing market simply from the mechanics of running recurring billing at scale. None of these groups is straightforwardly worse off in every case, but the structural distribution of benefit and cost is uneven: firms and investors receive a durable financial premium, while consumers receive a mixture of genuine benefit and a durable, ongoing cost that displaces the possibility of building resale-based wealth.

Is Subscription Economics a Form of Financialisation?:-
Martin (2002) describes financialisation of daily life as the process by which financial calculation and financial metrics extend their influence beyond markets and into the ordinary, everyday decisions of households and individuals. The case studies in this paper suggest that subscription economics fits this description closely: household consumption decisions, whether to buy a car outright or subscribe to one, and whether to own software or rent access to it, are increasingly structured around metrics, recurring revenue, customer lifetime value, and retention that originate in corporate finance and investor reporting rather than in household budgeting. The ordinary act of choosing how to pay for a car or a piece of software has become, in this sense, downstream of a set of valuation preferences set by capital markets rather than purely by product design or consumer request.

Ownership as a Wealth-Building Mechanism:-
Durable-goods ownership has historically served as an accessible, low-barrier form of asset accumulation, distinct from formal investment vehicles such as stocks or retirement accounts, but real: a paid-off car, a well-maintained instrument, or a wardrobe of quality clothing all retain resale value that a household can access when needed. As the case studies show, this mechanism is specifically what disappears when spending shifts to subscriptions. For households with limited access to formal investment markets, this informal, resale-based form of asset accumulation may matter disproportionately, which is a consideration this paper flags for future research rather than one it can resolve with the secondary data available.

The Paradox of Lower Upfront Costs:-
A recurring pattern across the case studies is that subscriptions make access to a good more affordable today, while potentially making the cumulative cost of that access over a comparable multi-year period of use higher than it would have been with an outright purchase. It is not always the case, however, and largely hinges on how much time would have passed before a new good was purchased and the rate at which it is replaced; a household that would have upgraded its software every few years might spend less overall on a subscription arrangement versus the perpetual licence approach, while a household that would have maintained one owned car for ten years would pay significantly more on a continuous subscription arrangement for vehicles. The paradox is thus a case-by-case occurrence, although it arises often enough among the industries examined above to deserve special mention.

Short-Term Consumer Utility vs. Long-Term Wealth:-
This issue is, on the evidence reviewed, the paper's strongest and most defensible discussion point. Subscriptions appear consistently to maximise short-term convenience and immediate utility, lower entry cost, and provide flexibility, variety, and continuous access to the newest version of a product, while systematically reducing the opportunity for the kind of long-term, resale-based asset accumulation that outright ownership has historically provided. A household is not necessarily worse off in the moment of consumption; it is potentially worse positioned, over a period of years, to convert past spending into future financial flexibility, because nothing purchased through a subscription remains an asset once the payments stop.

Implications for Different Income Groups:-
The trade-off above is unlikely to affect all income groups equally. For lower-income households, the lower upfront cost of subscription access may be the only realistic way to obtain a good at all, making the consumer-benefit side dominant even if the long-run cost is higher, since outright purchase was never a genuinely available alternative. For middle-income households, a real choice exists between ownership and access, and the decision has a genuine, if

modest, effect on capacity to accumulate resale-based wealth over time. For higher-income households, subscription spending more likely sits atop an already-secure asset base, making the wealth-accumulation concern raised here considerably less pressing. The secondary evidence cannot quantify these differences precisely, but the direction plausibly varies by income group as described.

Implications for Businesses and Investors:-

In terms of business practice, the literature proves the existence of sound logic behind the way companies value their services. However, the case of BMW heated seats shows that there is a certain limit on how far the process can go. Subscription billing for a service that the client has already received physically caused such outrage that it became necessary to abandon the idea, demonstrating that the boundary between feasible and unethical conversion is actively disputed (TechSpot, 2026; Autoblog, 2026; Motor1, 2026).

Implications for Consumers and Policymakers:-

From a consumer's perspective, the implication is that merely comparing these two plans based on the initial cost is not enough, since a more complete comparison must be made by taking into account the overall cost over time, including the loss of resale value. For policymakers, the pattern of automatic renewal, friction-heavy cancellation, and bundled feature subscriptions documented across the case studies suggests a role for disclosure requirements around total recurring cost and simplified cancellation processes, though this paper does not conduct a policy analysis in depth and raises the point only as a direction the findings point toward.

Conclusion:-

Summary of Findings:-

This paper set out to examine whether the financial incentives that make recurring revenue attractive to firms and capital markets are consistent with the long-term financial interests of the households that purchase subscription-based goods and services. Drawing on Adobe's audited financial filings, peer-reviewed consumer and economics research, and four comparative case studies spanning software, entertainment, automobiles, and fashion, the paper finds a consistent pattern: capital markets reward recurring revenue with higher valuation multiples than one-time sales revenue receives, firms have responded by expanding subscription and access-based models across both digital and physical goods, consumers have gained genuine benefits from this shift in the form of lower upfront cost and greater flexibility, and this same shift has, in every case examined, removed the resale opportunity that ownership previously provided.

Answer to the Research Questions:-

Firms shift toward subscription models both because recurring revenue is more predictable and because that predictability is directly rewarded in company valuation (Aventis Advisors, 2026; Adobe Systems Incorporated, 2013a). Recurring revenue influences firm valuation through the annual recurring revenue multiple, which prices predictable, repeating revenue at a premium over one-time sales revenue. Subscription adoption is driven by a combination of genuine consumer preference and corporate financial incentive operating together rather than either factor acting alone. Subscriptions affect consumer spending by converting a portion of it into permanent, non-recoverable recurring expenditure and by eliminating the resale opportunities available under ownership. Whether this shift meaningfully weakens household wealth accumulation cannot be confirmed with the secondary evidence available in this paper, though the mechanism by which it plausibly could do so is clearly documented across all four case studies.

Theoretical Implications:-

The findings support treating access-based consumption (Bardhi & Eckhardt, 2012, 2017), switching-cost theory (Farrell & Klemperer, 2006; Klemperer, 1995), and corporate finance's treatment of recurring revenue as complementary rather than separate frameworks. A fuller theoretical account of the subscription economy benefits from combining the consumer-behaviour explanation of why people accept access over ownership with the corporate-finance explanation of why firms are financially rewarded for offering it, since neither framework alone accounts for both sides of the transactions documented in this paper.

Economic and Financial Implications:-

At the level of the individual firm, the evidence supports continued movement toward subscription models wherever a plausible consumer benefit can be offered alongside the shift and against subscription conversion applied to features or products the customer already fully possesses, given the documented backlash to BMW's heated-seat programme.

At the level of the household, the evidence supports treating the total cost of access, rather than the upfront price, as the relevant basis for comparing ownership and subscription options, and factoring in the resale value forgone under the subscription option.

Consumer Implications:-

Individual households can most directly apply this paper's findings by tracking the cumulative size of recurring commitments, which is easy to underestimate when spread across many small charges, and by weighing the resale value of an owned alternative explicitly when deciding between purchase and subscription for any durable, physical good.

Policy Implications:-

The consistent presence of automatic renewal and cancellation friction across the case studies suggests that clearer disclosure of total recurring cost and simpler cancellation mechanisms would address a documented source of consumer harm without necessarily restricting the underlying subscription model itself, though this paper treats the point as a direction for policy attention rather than a fully developed policy proposal.

Recommendations:-

For firms: pair subscription conversion with a genuine, transparent consumer benefit rather than applying it to features or products the customer has already paid for outright.For consumers: compare total multi-year cost of access rather than upfront price, and account explicitly for resale value forgone.For researchers: pursue the household-level data described in section 9.9 to test the wealth-accumulation hypothesis directly.For policymakers: consider disclosure and cancellation-simplicity requirements targeted at the specific consumer harms documented in this paper.

Limitations:-

This paper relies entirely on secondary sources and four illustrative case studies; it does not measure household-level outcomes directly, cannot establish causation between subscription growth and the low national saving rate, and cannot be generalised with statistical confidence beyond the specific firms and industries examined. Company-reported figures reflect each firm's own disclosure choices, and industry survey data on topics such as subscription fatigue vary considerably in methodology and were treated with corresponding caution throughout the paper.

Scope for Future Research:-

The central limitation identified throughout this paper, the absence of a direct, individual-level measure of the relationship between subscription spending and household wealth accumulation, points to a clear future research agenda. This would include household-level expenditure data tracking subscription spending specifically as a distinct budget category, longitudinal studies following the same households over multiple years as their mix of owned versus subscribed goods changes, consumer surveys directly asking households how they perceive the trade-off between subscription access and ownership, cross-country comparisons given that saving rates, consumer-protection regulation, and subscription adoption all vary substantially by country, econometric analysis capable of isolating a subscription-specific effect on savings from other macroeconomic factors, and direct lifetime-cost comparisons of ownership versus subscription for the same good over a realistic multi-year period of use.

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