

RESEARCH PROPOSAL

The Impact of Value-Based Pricing on Subscription Retention in the UK During the Cost-of-Living Crisis

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1. Introduction

The subscription economy in the United Kingdom has significantly expanded in the last ten years. Recurring revenue models are used as the primary model of commercial organizations by services in media streaming, software-as-a-service, fitness, retail, and utilities. As of 2023, UKs subscription expenditure had topped over 2.4 billion pounds every year (Barclaycard, 2023), but it was also the time of the worst cost-of-living crisis the country had seen in 40 years.

Pushed by supply shocks in the aftermath of the pandemic, the energy crisis in the Russia-Ukraine conflict, and ongoing inflation, the Consumer Price Index rose to 11.1% in October 2022 (ONS, 2023), households experienced severe declines in their real-terms incomes. Agreement under strict control was given to discretionary subscription expenditure in this environment. According to a study conducted by Rahardja (2025), in 2022, more than 35% of consumers in the UK discontinued at least one subscription, claiming that they are value-conscious, and it is the main factor that influences their choice.

The conceptual model of explaining why some subscriptions survive consumer spending reduction, and others do not, is the basis of value-based pricing, which bases the price on the perceived value of the customer instead of the cost of production or the price set by competitors. This proposal describes a secondary qualitative research study that will investigate the relationship in a systematic way.

The study is fully based on secondary data: available peer-reviewed academic sources, recognized industry magazines, government statistics, and valid market research. There is no primary data gathering involved. This method is methodologically suitable and academically rigorous, as there is a wide scope of published material on the subject, and the questions of the research are interpretive in nature.

2. Background and Rationale

2.1 The UK Cost-of-Living Crisis and Subscription Behaviour

According to ONS (2023), UK real household disposable income experienced a 2.5% decline in 2022, the highest annual reduction since the data has been recorded since 1955. According to Ofgem statistics, the average household will have tripled its energy bills between 2021 and 2023. It is against this context that there were significant structural changes in the subscription market. According to Telkmann, V (2025), in the UK, subscription video-on-demand (SVOD) churn in 1834 surged to 37% in 2022, compared to 19% in 2020. At the same time, the services that were perceived to provide

higher value (like Amazon Prime, which includes the delivery service, the streaming service, and the cloud storage one) showed significantly lower churn rates (Mintel, 2023).

These contradicting results indicate that customer retention in economic distress is not only a matter of price level but rather a matter of the relation between price and perceived value, which is the main assumption of the value-based pricing theory.

2.2 Value-Based Pricing: Theoretical Framework.

As theorised by Hoseason (2003) and explained by Anderson et al. (2006), value-based pricing states that prices ought to reflect the economic and psychological worth that they provide to customers against their next best alternative. This is complicated in subscription markets where payment decisions are recurring: the customers must repeat the decision that the service is worth the price, and this introduces a retention risk (Lemon and Verhoeff, 2016).

According to Nagle and Muller (2018), cost-plus pricing (price based on internal cost structures), competition-based pricing (price based on market benchmarks), and value-based pricing (price based on customer value perception) are different. Their contribution, together with that of Zeithaml's (1988) model of perceived value, which is a ratio of the perceived benefits to perceived sacrifice, is the theoretical foundation of this paper.

2.3 Research Gap

The systematic literature search shows that though value-based pricing is thoroughly researched in terms of both B2B and FMCG (Anderson et al., 2006; Hinterhuber, 2008), specific to the UK and its macroeconomic crisis, the need to apply value-based pricing to retain subscribers at the B2C level is under-researched. Most of the subscription churn research concentrates on the quality of products, user experience, and interface design (Gupta and Zeithaml, 2006), where pricing is a lesser variable. This study fills this gap.

3. Research Aim

To examine how value-based pricing strategies influence customer subscription retention in the UK during the cost-of-living crisis.

4. Research Objectives

The following four objectives operationalise the research aim:

1. To explore the concept of value-based pricing and its application in subscription-based business models through existing theoretical and empirical literature.

2. To examine secondary evidence of customer perceptions of pricing fairness and value during the UK cost-of-living crisis (2021–2024).
3. To analyse the relationship between value-based pricing strategies and subscription retention rates, as evidenced in published studies and industry reports.
4. To recommend evidence-based pricing and retention strategies, drawn from the secondary literature, that subscription businesses can adopt to reduce churn during periods of financial pressure.

5. Research Questions

The following research questions guide the systematic review and thematic analysis:

RQ1: How is value-based pricing defined and applied in subscription-based business models within the existing theoretical and empirical literature?

RQ2: What does secondary evidence reveal about customer perceptions of pricing fairness and value during the UK cost-of-living crisis (2021–2024)?

RQ3: What relationship exists between value-based pricing strategies and subscription retention rates, as evidenced in published studies and industry reports?

RQ4: What evidence-based pricing and retention strategies does secondary literature recommend for subscription businesses to reduce churn during periods of financial pressure?

6. Research Methodology

6.1 Research Philosophy: Interpretivism

The present research follows an interpretivist philosophical approach. Interpretivism believes that the subjective meanings and the context of human behaviour and social phenomena, such as consumer pricing perceptions, value judgements, and retention decisions, cannot be sufficiently explained by positivist and hypothesis-testing methods (Bryman, 2016; Saunders et al., 2011). A lens based on interpretivism would be suitable in this case since:

- The retention of subscriptions is not a strictly objective result, but is mediated by the subjective evaluation of value by customers.
- The cost-of-living crisis is a phenomenon that is constructed socially and economically, and the impacts on consumer psychology cannot be measured in terms of numbers only.
- The secondary sources in terms of scope, such as qualitative industry surveys and interpretive scholarly research, are the ones that would be best analysed using an interpretive framework.

6.2 Research Approach: Inductive

Inductive is the type of research approach in which the researcher starts by researching one factor or phenomenon and then extends the definition of that phenomenon and area of interest to other related ones.

The philosophical method followed is an inductive one, which is in line with the interpretivist philosophy. This study does not start with set hypotheses to be measured by the data, but lets themes and theoretical propositions emerge from the secondary literature itself (Bryman, 2016). It would be especially fitting because the intersection of value-based pricing, subscription retention, and the UK cost-of-living crisis is a relatively new research setup in which pre-specified hypotheses would be too early to draw.

6.3 Research Design: Secondary Qualitative / Systematic Literature Review.

The study will use a secondary qualitative design, which is a systematic literature review supplemented with thematic analysis. The choice of this design is explained by the following reasons:

Why Secondary Data?

Secondary data is the information that is gathered and published by other people to be used in the current study (Saunders et al., 2011). Secondary data is used in this situation appropriately and rigorously as:

- The core variables of this study, which are value-based pricing, perceived value, price fairness, subscription churn, and consumer behaviour in the UK during the cost-of-living crisis, are already covered in a large amount of peer-reviewed literature, government statistics, and industry research.
- The range of synthesis of secondary data is extensive across many contexts, times, and populations, compared with a single primary study (Bryman, 2016).

It is not that the research questions are conceptual and relational, as they attempt to discern patterns and mechanisms through existing literature, as opposed to necessitating the gathering of original empirical data. Secondary research does not involve the ethical and logistical issues of surveying or interviewing human subjects and nevertheless produces credible and practically helpful information. The cost-of-living crisis (2021-2024) has already gained widespread coverage in the published sources, so the retrospective secondary analysis is feasible and exhaustive.

Why Qualitative?

Instead of trying to quantify the exact strength of the statistical relationships, a qualitative approach is selected instead of quantitative secondary analysis since the study aims to comprehend the meaning,

context, and process, that is, how and why value-based pricing affects retention. The qualitative secondary information (the study using interviews, ethnographic research about a consumer, and the thematic survey of a particular industry) reflects the depth of perceptions of the customer, which cannot be determined by quantitative data.

7. Secondary Data: Sources and Selection

7.1 Categories of Secondary Data

The study draws on three categories of secondary data, each serving a distinct purpose within the research:

Category	Examples	Purpose
Academic Literature	JSTOR, Scopus, Business Source Complete, Google Scholar — peer-reviewed journals (2016–2026)	Theoretical grounding; empirical evidence on pricing and retention
Government & Regulatory Data	ONS (inflation, income, CPI data); Ofgem (energy pricing); FCA (consumer credit reports); Ofcom (media consumption)	Macroeconomic context: quantitative benchmarks for the cost-of-living crisis
Industry & Market Research	Zuora Subscription Economy Index; Intel; Telkmann, V. (2024); Rahardja, B.V. (2025); Barclaycard Subscription Economy Report; McKinsey & Company; Statista	Real-world subscription market data; churn rates; consumer sentiment; pricing trends

7.2 Inclusion and Exclusion Criteria

To ensure the secondary data collected is relevant, credible, and methodologically sound, the following criteria will be applied:

Criterion	Inclusion	Exclusion
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Date	2016–2026 for empirical studies; seminal theoretical works regardless of date	Sources predating 2016 (unless foundational theory)
Geography	UK-focused studies; comparative UK/EU studies	Studies with no UK relevance or context
Topic	Value-based pricing, subscription retention, perceived value, price fairness, consumer behaviour during financial stress	Studies on unrelated pricing models (e.g., auction pricing) with no transferable insights
Source type	Peer-reviewed journals, ONS/Ofcom/FCA reports, and named industry research from established organisations	Anonymous blog posts, non-peer-reviewed opinion pieces, and sources without clear methodology
Language	English	Non-English sources

7.3 Search Strategy

Academic databases will be searched using the following keyword combinations, applied to titles, abstracts, and keywords:

- "value-based pricing" AND "subscription" AND "retention" OR "churn."
- "perceived value" AND "subscription" AND "UK" OR "United Kingdom."
- "price fairness" AND "consumer behaviour" AND "cost of living."
- "subscription economy" AND "cancellation" AND "financial pressure."
- "customer perceived value" AND "pricing strategy" AND "recession" OR "economic downturn."

The sources in the industry will be found on the websites of the publishers (e.g., [zuora.com](https://www.zuora.com), [mintel.com](https://www.mintel.com), [ons.gov.uk](https://www.ons.gov.uk), [ofcom.org.uk](https://www.ofcom.org.uk)). The macroeconomic environment will be put into context using the ONS time-series data on inflation (CPIH), real household disposable income, and consumer spending.

7.4 Source Evaluation

The suitability of all secondary sources to be included will be assessed using the CRAAP framework (Currency, Relevance, Authority, Accuracy, Purpose). Reports funded by industries (e.g., by Zuora or Barclaycard, which have a commercial interest in the subscription economy) will be recognized as potentially biased and will be triangulated with independent academic sources where feasible.

8. Data Analysis: Thematic Analysis

The thematic analysis is chosen as the method of analysis due to its best suitability in examining and presenting patterns (themes) in qualitative data. When applied to secondary research, thematic analysis allows the researcher to put discoveries of various sources into different academic papers, government reports, and industry studies into a unified theoretical explanation.

As opposed to content analysis, where one counts occurrences, thematic analysis makes sense and is thus suitable to the interpretivist philosophy that this study is founded on. It is in direct compatibility with secondary research design since, unlike grounded theory, it does not need the creation of original data.

8.1 Six Phases of Thematic Analysis

Braun and Clarke's (2006) six-phase framework will be followed:

#	Phase	Activities in This Study
1	Familiarisation	Close reading of all selected secondary sources; annotation of key ideas related to value-based pricing, perceived value, and retention
2	Generating Initial Codes	Line-by-line coding of relevant passages across academic and industry sources; codes reflect pricing strategies, consumer responses, retention behaviours, and crisis-related factors
3	Searching for Themes	Clustering related codes into candidate themes (e.g., 'tier-based value perception', 'price fairness under financial stress', 'value communication strategies')
4	Reviewing Themes	Cross-checking themes against the full dataset; merging, splitting, or discarding themes as needed; ensuring themes reflect the research questions.

5	Defining and Naming Themes	Articulating the essence of each theme, writing analytical narratives, and identifying sub-themes
6	Producing the Report	Integrating themes into a coherent discussion, linking findings back to research questions and the conceptual framework, and drawing conclusions.

8.2 Anticipated Themes

Based on an initial scoping review of the literature, the following themes are anticipated (subject to revision following full analysis):

- Theme 1 — Perceived Value as a Retention Anchor: How customers' assessments of value-for-money act as the primary determinant of subscription continuance decisions during financial pressure.
- Theme 2 — Price Fairness and Psychological Framing: How the perceived fairness of price increases (relative to value delivered) mediates churn risk, drawing on fairness theory (Bolton & Alba, 2006).
- Theme 3 — Tier Design and Flexibility as Value Signals: How multi-tier pricing structures and pause/downgrade options communicate commitment to customer value and reduce cancellation.
- Theme 4 — Value Communication and Transparency: How explicit communication of subscription benefits influences perceived value, particularly among cost-sensitive consumers.
- Theme 5 — Macro-Economic Context Effects: How the specific conditions of the UK cost-of-living crisis (inflation, energy costs, wage stagnation) moderated consumer sensitivity to subscription pricing.

9. Conceptual Framework

The study is grounded in three complementary theoretical constructs, all derived from the secondary literature:

Theory	Key Sources	Role in This Study
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Value-Based Pricing Theory	Hoseason, J (2003); Anderson et al. (2006); Nagle & Müller (2018)	Defines the independent variable: how subscription prices are anchored to customer value perception rather than cost or competition
Customer Perceived Value Model	Zeithaml (1988); Woodruff (1997); Sweeney & Soutar (2001)	Explains the mediating mechanism: how customers weigh perceived benefits against perceived price sacrifice in making retention decisions
Subscription Churn & Retention Theory	Gupta & Zeithaml (2006); Lemon & Verhoef (2016); Avery et al. (2012)	Defines the dependent variable: the factors that drive subscription continuance vs. cancellation over time

10. Proposed Timeline

Phase	Duration	Key Activities
Phase 1: Source Identification	Weeks 1–2	Database searches (Scopus, JSTOR, BSC); access ONS/Ofcom/Mintel/Zuora reports; apply inclusion/exclusion criteria; compile source list
Phase 2: Critical Reading	Weeks 3–4	Deep reading and annotation of all selected sources; CRAAP evaluation; note-taking on pricing strategies, retention data, consumer sentiment
Phase 3: Coding	Weeks 5–6	Line-by-line coding of relevant passages; generation of initial codebook; grouping codes into candidate themes
Phase 4: Thematic Analysis	Weeks 6–7	Review, refine, and define final themes; write thematic narratives; link to the conceptual framework.
Phase 5: Write-Up & Discussion	Weeks 8–9	Draft findings, discussion, and conclusion chapters; integrate theory with evidence from secondary sources

Phase 6: Review & Submission	Week 10	Proofreading, academic integrity check, formatting, and final submission
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11. Ethical Considerations

Since the content of the study is based solely on secondary sources, i.e., on publicly available academic literature, government statistics, and commercial research reports, it does not imply any data collection or working with human subjects. As such, it does not require formal approval of ethical standards as per the usual institutional standards in the non-interventional secondary research.

However, the ethical principles to be followed during the study will be strictly followed, and they will include:

- Academic Integrity: All the references will be quoted in APA format. Reproduction of any text will not be done without reference.
- Limitations Transparency: The limitations and scope of all the secondary sources will be cited, as well as the publication bias of academic journals and the commercial bias of reports funded by the industry.
- Critical Assessment of Industry Sources: Reports issued by business organizations (e.g., Zuora, Barclaycard) that have a strong incentive to enhance positive subscription economy messages will be critically evaluated and cross-referenced with non-business sources.
- No Fabrication or Misrepresentation: There will be no selective omission, distortion, or out-of-context presentation of any data using secondary sources.

12. Anticipated Limitations

The weaknesses of the secondary qualitative method are as follows, and they will be covered in the final research report:

- Absence of Primary Data: The research is unable to take up real-time, first-hand consumer attitudes or unpublished business data. Research results can only be limited to those published.
- Publication Bias: Academic literature is prone to over-reporting statistically significant or newly discovered studies and thus biases thematic patterns.
- Commercial Source Bias: Stakeholders of a subscription-economy industry can also choose to show a more rosy picture regarding value-based pricing results than the independent evidence.

- Temporal Lag: Published scholarly literature generally indicates the situation 1-3 years before publication, i.e., the latest stages of the cost-of-living crisis might be more effectively captured in an industry datum than in a peer-reviewed article.
- Transferability: Results are put in context to the UK subscription market in 2021-2024. They might not be directly relevant to other markets, industries, and economic conditions.

These limitations will be openly addressed, and they will not be used to nullify the findings of the study, but they will be seen as contextual boundaries within which the findings should be viewed.

13. Expected Contributions

Academic Contribution: The integration of scattered scholarly research on value-based pricing and subscription retention in the unique and under-researched setting of a UK macroeconomic crisis seals a knowledge gap in the pricing and consumer behaviour literature.

Managerial Contribution: Making evidence-based contributions to the pricing strategy, tier design, and value communication as effective retention instruments in economic downturns in the UK subscription business.

Policy Contribution: Educating on the pricing transparency and consumer protection in subscription markets, which is pertinent to continued Ofcom and Competition and Markets Authority (CMA) investigations into auto-renewal and price-increase practices.

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