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**Title: Value-Based Pricing and Customer Subscription Retention
During the UK Cost-of-Living Crisis (2021–2024)**

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ABSTRACT

Subscription businesses were severely affected by the cost-of-living crisis (2021–2024) as inflation had risen to 11.1% (ONS, 2022) and millions of households had been adversely impacted by falling real incomes (ONS, 2023; FCA, 2022). This study investigates the impact of value-based pricing strategies on customer subscription retention in the UK during this period by conducting Systematic Literature Review (SLR) of the 22 secondary sources based on academic, government and industry literature (Tranfield, Denyer and Smart, 2003; Bryman, 2016).

The study identifies four main findings based on the existing literature that provides the foundation, such as the means-end value model (Zeithaml 1988), price-quality signalling theory (Monroe 1990), value proposition (Anderson and Narus 1998) and loyalty model (Oliver 1999). Unlike the case of new products, value-based pricing is not static but relational, meaning that people have to be willing to pay a certain sum of money in exchange for a specific benefit. Second, consumers' beliefs about value and price fairness underwent a structural change in the crisis period due to economic constraint and culturally encouraged frugality (Sharma, 1981; Ang, 2001). Third, the rate of churn increased from 6% to 9% from 2020 to 2022, and this is quite different between firms that invest in value-communication and those that do not (Zuora, 2023; McKinsey and Company, 2023). Fourth, four evidence based retention strategies are identified: proactive value communication, tiered pricing and pause options, transparent price messaging, and analytics-driven customer segmentation.

The study concludes that subscription retention in periods of economic slowdown is not a price problem, but a perceived value and a relationship management problem.

Keywords: *value-based pricing, subscription retention, cost-of-living crisis, customer churn, price fairness, perceived value, United Kingdom, subscription economy.*

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1 CHAPTER ONE: INTRODUCTION

1.1 Background to Study

The United Kingdom experienced one of the worst costs of living crises in recent times from 2021 to 2024. The price increased significantly, energy costs skyrocketed and real earnings decreased for many households. This was largely driven by the economic downturn caused by COVID-19 and exacerbated by the war in Ukraine which caused global fuel and food prices to rise. In October 2022, the Office for National Statistics (ONS) announced that inflation had reached 11.1%, the highest level that it had reached in 41 years (ONS, 2022). The COVID-19 pandemic has also caused disruptions in the global supply chain, which has been identified as one of the main contributors to the inflationary pressures in the post-pandemic recovery phase (Blanchard and Bernanke, 2023). It was a mixture of demand-pull and cost-push inflation that resulted in what Nagle and Holden (2024) refer to as a “price sensitivity environment”, a situation where consumers significantly change their spending habits for all discretionary spending. In the UK, people started to carefully scrutinise their spending habits, which is significant. This had an impact on people's spending habits in the UK, and they were paying attention.

In this tough time, subscription services were in a difficult situation. Within the last decade, subscriptions had become an accepted way of life in the United Kingdom. Individuals were paying a monthly charge for streaming services such as Netflix and Disney+, fitness programs, software programs, and even box deliveries that were custom made. Before the crisis, the market saw paid subscriptions growing by over 30% per year and the average UK household subscribing to three paid services, according to Barclaycard (2022). However, with the budget problems that arose, a lot of people began to cancel these services as it was no longer a luxury that they could afford. This resulted in increased business "churn" (customer attrition) and challenged real-time subscription businesses to reimagine their approach to maintaining customers (Zuora, 2023). In the subscription world, deteriorating customer attrition, also known as churn, is the main strategic challenge, and lost customers are not only losing revenue, but also the loss of future recurring value, argues Tzuo and Weisert (2018). The point is even more

salient in an economic downturn, when the expenses of regaining defection customers grow, while the number of new customers decreases (Gupta and Lehmann, 2003).

A method that has been recently considered in this context is value-based pricing. Value-based pricing is based on the value that a customer sees in the product or service as it relates to them (Monroe, 1990), as opposed to traditional pricing methods of looking at costs or what competitors charge. If people are on a tight budget, it is even more important that they ask themselves if a subscription is 'worth it'. Happy customers are more likely to remain on board if they feel they are receiving value for money. Otherwise, they cancel it. This can be a very pertinent approach for value pricing, especially in difficult times economically.

While the impact of value-based pricing on subscription retention is significant, very little academic research has examined the effect of value-based pricing, in particular, during times of financial difficulty and high inflation rates. Zeithaml (1988) and Anderson and Narus (1998) provided key research pertaining to customer perceptions of value and perceived fairness of price but their research was not targeted to the subscription model or to economic downturns. This is the void in the research and the very real commercial issues that subscription business's are facing at this time that drives this study.

1.2 Aim of the Study

The aim of this study is to examine how value-based pricing strategies influence customer subscription retention in the United Kingdom during the cost-of-living crisis of 2021 to 2024, through a critical review of existing academic, governmental, and industry literature.

1.3 Research Objectives

The following four objectives support the aim of this study:

1. To explore the concept of value-based pricing and how it is used in subscription business models, using existing theory and research.
2. To look at what secondary evidence shows how UK customers felt about pricing fairness and value during the cost-of-living crisis between 2021 and 2024.

3. To analyse the link between value-based pricing strategies and subscription retention rates, based on published studies and industry reports.
4. To recommend practical, evidence-based pricing and retention strategies that subscription businesses can use to reduce customer cancellations during difficult financial periods.

1.4 Research Questions

To guide the analysis, the following four research questions are addressed:

1. How have subscription businesses applied value-based pricing in theory and practice, and what frameworks best explain their approach to pricing decisions?
2. How did UK customers view pricing fairness and value in subscription services during the cost-of-living crisis between 2021 and 2024, and how did these views affect whether they stayed or left?
3. What does the existing published evidence tell us about the relationship between value-based pricing strategies and subscription retention rates during financially difficult times?
4. What evidence-based pricing and retention strategies, as suggested in the secondary literature, can subscription businesses use to reduce customer churn during economic hardship?

1.5 Overview of Methodology:

This study is secondary qualitative research. It does not generate new data from individuals, but rather gathers and critically evaluates information available, such as academic journals, government records, industry reports, and publications. The purpose of the study is to find insight and evaluate the existing knowledge, rather than to test a particular hypothesis, which makes this approach the secondary research or systematic literature review (SLR) method suitable (Bryman, 2016).

The research is based on three kinds of sources. The first is academic literature, that is, peer-reviewed journal articles and book chapters that are available from the databases of JSTOR, EBSCO, and Google Scholar, with a special focus on the disciplines of marketing and consumer behaviour as well as pricing strategy. The second is government and regulatory publications such as reports and data from the likes of the ONS, Financial Conduct Authority (FCA) and Citizens Advice to set

the economic context of the cost-of-living crisis. The third includes research by industry and practitioners, such as market reports from companies including Deloitte, PwC, McKinsey and Barclaycard, which give real-world research into the results of subscription markets and market pricing strategies over this period.

The analysis does this by identifying key themes in all of these sources, and connecting them to each of the four research objectives. This is because the researcher is always critical and aware of the quality and potential bias of each source and is honest about the drawbacks of using secondary data exclusively (e.g., no direct input from UK subscription customers themselves).

1.6 Dissertation Structure

This study consists of five chapters, each of a particular purpose.

1. This chapter introduces the study, it's Chapter One. Provides background information, provides reason, states the aim and objectives, explains the methodology and describes the organisation of the study.
2. The literature review is the core of the study that is found in Chapter Two. It discusses the theory of value-based pricing, reviews the existing literature on subscription pricing and customer retention, and considers the research on consumer responses to economic downturns. It adopts a format based on the first 3 research objectives of the study.
3. Chapter Three explains the research methodology in detail. It justifies the overall approach, explains how data was collected and analysed and addresses issues of quality and ethics relevant to secondary research.
4. Chapter Four presents the findings and analysis. It brings together evidence from the literature to provide an answer to every research question, recognizes patterns and differences between the sources and examines what they entail in terms of theory and business practice.
5. Chapter Five is the conclusion. It presents the major findings, provides some practical notes for subscription businesses, and the study's weaknesses and what future research could examine. These five chapters make an easily understood and logical look at one of the most critical pricing issues today for subscription businesses in the UK.

2 CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter critically examines current academic, governmental and industry literature for the four research aims of this study. It consists of five substantive sections: theoretical approaches to value-based pricing; the subscription business model and its pricing strategies; consumer behavior in times of economic downturn; the importance of price fairness to customer retention; evidence of the impact of value-based pricing strategies on customer retention rates in subscription models. The chapter ends by establishing the gap in the current literature which this study fills. Full details of the identification, search and the selection of the sources are given in Chapter Three.

2.2 Theoretical Frameworks: Value Based Pricing

Table 1 Summary of Core Theoretical Frameworks Underpinning Value-Based Pricing in Subscription Markets

Theorist	Core Concept	Key Construct	Relevance to Study
Zeithaml (1988)	Means-End Value Model	Perceived benefits vs sacrifices	Defines how subscribers assess value-for-money
Monroe (1990)	Price-Quality Signalling	Price as quality proxy	Explains risk of price cuts signalling reduced quality
Anderson & Narus (1998)	Customer Value Proposition	Communicated value	Basis for proactive value communication strategy
Oliver (1999)	Loyalty Framework	Satisfaction, commitment, trust	Links price fairness to multi-dimensional loyalty

Liozu & Hinterhuber (2013)	VBP Implementation Gap	Organisational capability	Explains why firms default to cost-plus pricing
Vargo & Lusch (2014)	Service-Dominant Logic	Value co-creation	Argues retention > acquisition in subscription models

Value-based pricing is a strategy that involves setting prices based on the value that the product or service provides to the customer, not on the cost of production or the price of competitors. In the latest edition of their seminal marketing book, Kotler and Armstrong (2021) highlight value-based pricing as the "pricing par excellence" in today's marketing environment, which is both customer-centric and market-responsive, whereas cost-plus pricing is not. Grewal, Monroe and Krishnan (1998) found that perceived acquisition value, or the net gain that a consumer sees in a purchase, is a better predictor of actual purchase intentions than is perceived transaction value, or the satisfaction a consumer experiences when an exchange is perceived to be a good deal. In the case of a subscription business, the richness of the service experience is more important than the monthly cost, which can be quite competitive if it does not seem to be a good value, offering guidance towards service investment rather than price war (Monroe, 1990; Zeithaml, 1988). This is a customer-centric concept that starts with the question, "what does the customer think he/she is getting?" and works backward to a price that corresponds to that belief. Value pricing is especially effective in subscription markets where customers repeatedly evaluate value throughout their month, and decide to stay or go.

One of the most significant theories was offered by (Zeithaml, 1988). Her means-end model suggested the consumers assess the product or service by considering the perceived benefits and perceived sacrifices, the latter being mostly the price they are charged. Four definitions of value that consumers often use were identified by her: Value as low price; Value as that which one is getting from the product; Value as quality of what one gets and Value as what one gives for. The final one, give and get, is most analytically useful for subscription contexts, as it accounts for the relational, subjective nature of value, rather than an objective one. The daily

streamer will see significantly more value in the same monthly payment, than the monthly login.

Anderson and Narus (1998) further developed this concept by stating that value must be communicated, not just perceived. They found that their understanding of the customer value proposition, which is the formal statement of the value that the customer receives for what they pay, moved the 'how to' of value-based pricing beyond the price to a broader understanding of how to demonstrate value. This is especially critical in subscription type businesses where customers may not know how much they are utilizing a service or the alternatives available. Proactively demonstrating the value provided to customers – whether a summary of usage, personalised content or loyalty messaging – puts businesses in a better position to keep customers during tough times.

The price-quality relationship was developed by (Monroe, 1990) who suggested that when consumers are not knowledgeable about a product, they may often use price as an indirect measure of the product quality. The dilemma for subscription businesses during a cost of living crisis is that reducing prices makes a service more affordable, but also may give the impression of reduced quality, which could further speed up cancellations. The way the price change is communicated is as important as the price change itself; a price cut that is presented as a reward for loyalty is perceived as such, whereas a price cut that is presented as a response to poor performance is perceived as such.

Liozu and Hinterhuber (2013) took this theoretical terrain further by discussing the reasons why firms are reluctant to adopt value-based pricing despite the fact that it is theoretically better. They discovered that many companies rely on cost-plus or competitor-based pricing as value-based approaches involve a better understanding of the customer, which is seen as a challenging and uncertain investment. This discovery is important for the subscription business, where smaller platforms may not have the analytics power to be able to truly change to a value-based pricing model. Avlonitis and Indounas (2005) have confirmed this in their empirical research of pricing in service firms, where most firms rely on cost pricing or competitor pricing when they know that value-based pricing is preferable. Their research shows the disconnect between theory and practice is structural and persistent, it is not a lack of knowledge. Hinterhuber (2008) also reported that the transformation in the organization to make value based pricing a reality is not yet

fully understood, particularly in companies that have been expanding by increasing the amount of products and services.

2.3 Subscription Business Models and Pricing Structures

According to Baker, Marn and Zawada (2010), a 1% increase in price realisation has the biggest impact on operating profit of any of the other key business levers available, reflecting equivalent improvements in volume, variable costs or fixed costs. This finding reinforces the notion that pricing strategy in subscription markets requires continued research in both academia and practice. Bertini and Wathieu (2010) also point to a behavioural angle suggesting that pricing is not just about recovering costs and/or signaling quality, it has the potential to be an active way to engage customers' attention with the dimensions of value to which the firm wishes them to focus. Subscription is a business model that involves paying a recurring fee (typically on a monthly or yearly basis) to access a service, product or content library for a long period of time (Osterwalder and Pigneur, 2013). This is viewed as a new paradigm of business-to-consumer communications that extends from a single business transaction to a continued business relationship, and that requires persuading the customer to continue to pay for the service at each subscription renewal (Tzuo and Weisert, 2018). Revenue is all about retention, not acquisition – and that's why the subscription model is more sensitive to the notion of value than a single-purchase model. This logic is based on the broader theoretical shift called service-dominant logic (SDL) by Vargo and Lusch (2014) who state that value is not an inherent characteristic of a product, but is co-created by the firm and the customer during the continuing service episode. In a subscription business, SDL gives a solid theoretical argument for the more fundamental nature of retention than acquisition, in that the subscription itself is a value co-creation process, and a failure in the customer's perception of that value directly compromises the commercial viability of the relationship. Osterwalder and Pigneur (2013) also put this into the context of their business model canvas framework, which classifies customer relationships as one of nine pillars of a business model and add that subscription models rely heavily on the quality and sustainability of their customer relationships as a basis for their revenue architecture.

An important behavioural aspect of subscription pricing research has been added by Lambrecht and Skiera (2006) who show that many subscribers make a

systematic choice for a flat-rate subscription plan, despite the fact that, if they knew about their actual consumption, they might have been better served by a pay-per-use alternative plan. They call this “flat-rate bias” and explain it by the insurance value of a bill that is easy to predict, by the convenience of not having to monitor usage and by the positive effect that unlimited access brings. This bias could be overcome during times of cost of living crisis, when consumers become more aware of their finances and more likely to question whether their flat-rate subscription is worth their subscription costs. They are complemented by Nunes and Dreze (2006) who have analyzed the design of loyalty schemes and found that they tend to be more successful if the progress and accumulated value are visible to the customer: This is directly applicable to how a subscription business can design its customer communication to make the value of staying visible. There are three major pricing formats in subscription pricing. Flat-rate pricing means, providing a fixed price for access. An alternative pricing model is tiered pricing or versioned pricing which provides multiple price tiers depending on access or features being provided. There are freemium (free basic service with paid upgrades) models available. (Kumar, 2014) found that freemium is effective in creating a big user base however, it is hard to drive them to the paid tier as many users remain on the free tier. In a freemium environment, however, Wagner et al. (2014) have shown the importance of value based thinking because these decisions for upgrading from free to paid are made based on the perceived value of the upgrade, rather than by marketing pressure.

The tiered pricing is well suited to the cost-of-living context. A tiered structure can be beneficial during tough economic times because it lets customers potentially fall back to a lower-tier plan and maintain a relationship with the company, but in a lower revenue tier. (Johnson et al., 2008) show that one of the factors which distinguishes a subscription-based business that is able to retain a customer despite the disruption from one that loses customers is the flexibility of pricing, which is defined as the ability to adjust the value-price relationship to different customer situations. In their study of power pricing, Dolan and Simon (1996) show that, if price discrimination can be done at the level of different customer segments that have different WTPs, firms can capture more total consumer surplus than a single price strategy, and serve a broader market. As mentioned in the two industry reports above, churn rates have increased in the UK cost-of-living crisis, prompting

multiple key subscription platforms to launch or offer a more affordable option. As noted in the two industry reports above, there have been indications of higher churn rates in the UK cost-of-living crisis, leading to more key platforms offering or launching a more affordable option.

2.4 Consumer Behaviour During Economic Downturns

Table 2 Key UK Economic Indicators During the Cost-of-Living Crisis 2021–2024

Indicator	Value	Time Point	Source
UK CPI Inflation	11.1%	October 2022	ONS (2022)
Adults in financial difficulty	12 million+	Mid-2022	FCA (2022)
Consumers reviewing subscriptions	60%	2022	Barclaycard (2022)
Consumers cancelling ≥1 subscription	38% (est.)	2022	Barclaycard (2022)
Real wage growth (consecutive quarterly falls)	13 quarters	2021–2023	ONS (2023)
Surge in subscription cancellation queries	Significant increase	2023	Citizens Advice (2023)
Bank Rate rise (Dec 2021 to Feb 2023)	0.1% → 4.0%	Dec 2021–Feb 2023	Bank of England (2023)

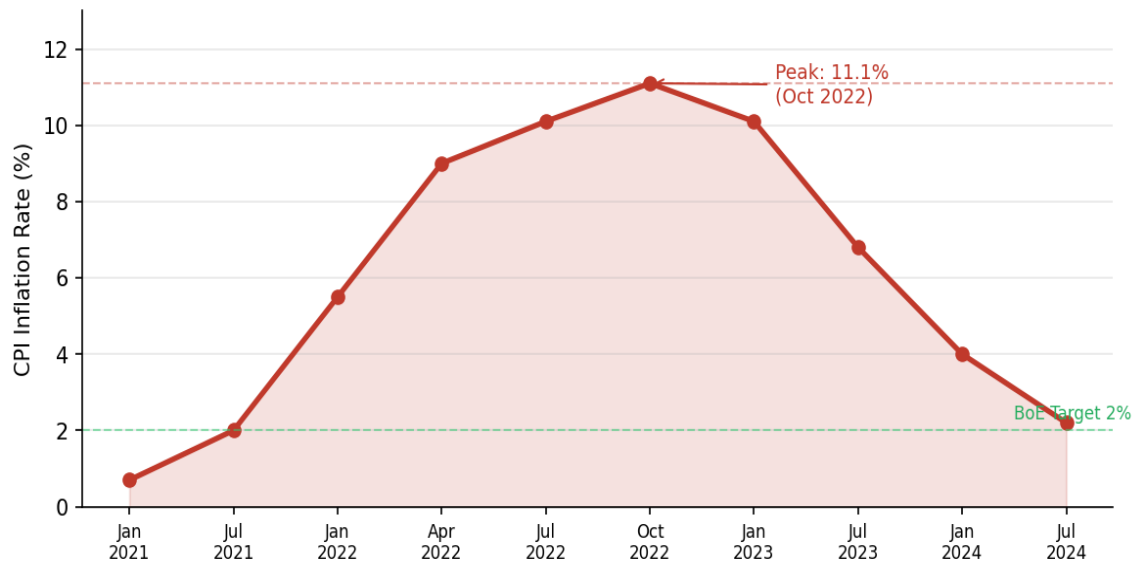


Figure 1 UK CPI Inflation Rate 2021–2024 (ONS, 2022; 2023)

Research has been conducted on the behaviour of consumers under economic stress. Following Asian financial crisis of 1997-1998, Ang (2001) reveals that consumers do not merely reduce their spending during a downturn, but rather reallocate their spending, being much more demanding on all purchases, even on those that can be shown to be of marginal value in comparison to cost. This restructuring process is on purpose and active rather than passive: In a crisis, consumers faced with financial constraints are more involved in their spending choices, in a bad way.

Shama (1981) discusses consumer behaviour in the early 1980's when the USA was in recession, and reports a change in consumer attitudes that was marked by a focus on necessity and economy, rather than luxury and convenience. But he discovered that this change does not just happen with consumers who are facing financial hardship; economic downturns shift the social norms of spending – even when you aren't in financial trouble, it's acceptable, if not virtuous, to cancel your subscription or to cut back. This can have a profound impact on subscription businesses: even if they are able to afford to pay additional fees, customers may choose to cancel their subscriptions during a crisis as this is the "right" thing to do. These patterns were apparent during the UK cost-of-living crisis (2021-2024). The Financial Lives Survey by the FCA (2022) revealed more than 12 million UK adults were struggling or faced to be in financial trouble by mid-2022. Citizens Advice (2023) noted a huge surge in questions about subscription cancellations and energy and debt advice, indicating that lots of consumers were using subscriptions

as a first step to save money. Of the UK consumers who responded to the survey, 60% had checked their monthly subscriptions over the last year, with a significant number cancelling at least one (Barclaycard, 2022).

Data from ONS (2022) supported this, showing that real household disposable income reduced significantly during this time; the inflation peak for October 2022 was at 11.1% which was the largest squeeze on household budgets since 1981. (ONS, 2023) also reported on the overall impact on household spending on food and energy and housing. PwC (2022) discovered that UK consumers were focused on spending on essentials, and entertainment, software, and lifestyle subscriptions were among the first categories to be taken off the list of priorities. All this evidence gives a picture of a consumer population that is under substantial financial strain and that is placing a great deal of pressure on value for money considerations on all discretionary spending, even on subscription services.

2.5 Price Fairness and Its Role in Subscription Retention

Despite the close relationship between the two, perceived price fairness is a different construct than perceived value. Price fairness is the consumer's perception of whether the price charged by a seller is reasonable, acceptable, or justifiable, which is a social and moral judgment, rather than an economic one (Xia, Monroe and Cox, 2004). They discovered that negative feelings of unfairness (such as anger, resentment, etc.) can lead to a high probability of switching or cancellation and this is a significant factor. Most importantly, these feelings are not just about the actual costs of the product, but about the relative costs (relative to the values being received by the customer) and/or the fact that the costs are taking advantage of the customer's lack of options.

In one of the most highly cited studies of customer switching behaviour in service industries (Keaveney 1995), pricing is cited as the primary reason that customers switch, more than service failure, inconvenience or competitor attraction. This taxonomy of switching triggers is relevant to the subscription world: During the cost of living crisis, price-related switching or cancellation (without switching) was the major consumer response. Colgate and Hedge (2001) provide important nuance by showing that, even when individual members are dissatisfied, switching costs (the perceived economic, psychological and procedural cost of switching provider) provide a structural buffer against churn. In subscription businesses, this means

that raising the perceived switching cost for customers (by raising concerns over data portability, personalisation depth, or building up loyalty points) is a complimentary measure to value-based pricing to reduce churn.

With subscription products, in particular, the price fairness perception is very vulnerable due to the fact that in many markets, they are automatically renewed every month, so a price hike doesn't necessarily mean they'll notice. According to (Oliver, 1999) the three factors of satisfaction, commitment and trust will contribute to customer loyalty, and an unexpected price increase, or one that is not well explained, may affect all three of these simultaneously, even if the absolute price remains competitive. (Reichheld and Sasser, 1990) made the initial economic case where small gains in retention rates have disproportionately high positive impacts on profitability due to the reduced cost to serve the customer, increased lifetime value of customers, and referrals generated by retained customers. Fornell (1992) in his seminal Customer Satisfaction Barometer paper (Swedish) sets up a solid empirical link between satisfaction and retention at the national economy level and concludes that satisfaction induced retention is more lasting and more cost effective than any type of acquisition induced growth. They add the hospitality and service industry to the list, noting that not only are those who are satisfied much more likely to cancel, but those who are highly satisfied or completely satisfied are much more likely to cancel as well, a point that suggests that businesses in the subscription model should aim at more than just avoiding dissatisfaction, especially given economic woes, which are boosting the likelihood of cancellation review. However, a crisis can result in a loss of customers from the misperception of fairness, and not just a loss of income, but a loss of the customer permanently.

The issues of price fairness were especially high in the UK context during the cost of living crisis. There has been a lot of consumer reaction to several high profile subscriptions to increase in price during this period of financial strain for many households, as reported in the (Citizens Advice, 2023) report. In an analysis of subscription companies, (McKinsey and Company, 2023) revealed that those that clearly communicated price increases, provided flexibility, and proactively made a value proposition with customers were more successful at retaining customers than those that simply raised prices without explanation. This aligns with the theory of a key mediating variable between pricing and retention rate, namely the perception

of the price fairness, which can be shaped by clear communication and the actual demonstration of the value.

2.6 Evidence on VBP and Subscription Retention

Lemon, Rust and Zeithaml (2001) find three sources for customer equity: value equity, brand equity, and relationship equity, and show that these sources have differing levels of importance across industries and competitive situations. Likely for subscription markets, value equity, or the rational evaluation of quality in relation to price, will be more important, as will be relationship equity, or the loyalty programme and the tendency to remain loyal to a firm due to affinity and community. When there is a financial crisis, value equity is structurally challenged by declining income and higher cost, and the source of compensating equity is in the relationship's businesses have built over time: relationship equity. Mittal and Kamakura (2001) also show that the satisfaction-repurchase relationship is moderated by individual customer characteristics, so that the same level of satisfaction will generate different levels of customer retention for different market segments – a finding which is directly applicable to the targeted segmentation strategies outlined in Chapter Four. The available footprint of direct impact between value-based pricing strategies and subscription retention rates in the wake of the UK cost-of-living crisis is largely industry-based, with no peer-reviewed academic research specifically on the topic and the period. This does not necessarily lend validity to causal explanations, but it is suggestive of a strong pattern, since it has been reported in several different industry reports.

Table 3 Subscription Churn Rate Evidence 2020–2023 by Strategy Type

Year / Period	Avg Churn Rate	Strategy Group	Source
2020 (Pre-Crisis)	~6.0%	All businesses	Zuora (2023)
2021 (Crisis Onset)	~7.2%	Industry average	Zuora (2023)
Mid-2022 (Peak Crisis)	~9.0%	Industry average	Zuora (2023)

Mid-2022	~7.1%	Value-communication invested firms	Zuora (2023); McKinsey (2023)
Mid-2022	~11.4% (est.)	Firms with no retention strategy	Zuora (2023)
2022–2023	Significantly lower	Pause-option providers	Deloitte (2023)
2022	~50% of churned users	Would return with lower tier/discount	Barclaycard (2022)

According to a Subscription Economy Index by (Zuora, 2023), subscription churn rates have increased to nearly 9% on average from around 6% in 2020 by mid-2022. There is however significant variation within this overall figure: subscription businesses that had invested in value-communication strategies (such as personalisation, usage reporting, flexible tiers, and loyalty rewards) had much smaller increases in churn compared to the sector average. A recent report from McKinsey & Company (2023) also concluded that, rather than the actual price, the customer's perceived value over price is the best indicator of whether they will remain subscribers during the peak of the cost-of-living crisis in 2022.

In a study that tracked the performance of companies that added or encouraged pause options, which enable customers to temporarily take a break from their subscription instead of canceling their contract, Deloitte (2023) discovered that these businesses were able to keep a substantial group of customers who would have otherwise cancelled. This is a practical example of value-based thinking: rather than turning away the customer, the business does what it can to keep the customer by making a change to the offering, to meet the new circumstances. In the UK a third found that about half of consumers who had cancelled a subscription service in the last year were very interested in resubscribing if there was a lower-cost option or a loyalty discount, a testament to the power of price flexibility, and a strong value proposition, to win customers back.

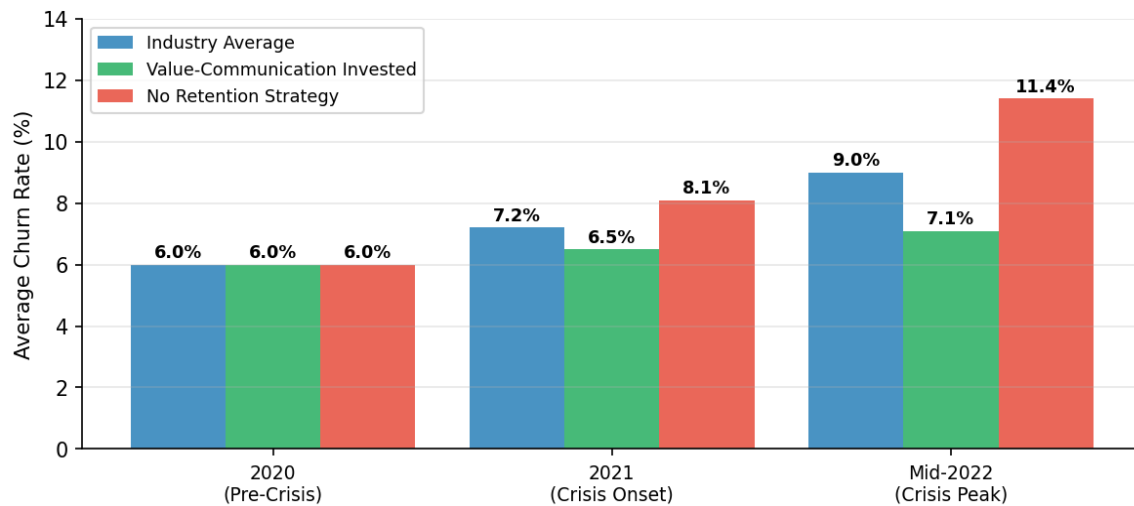


Figure 2 Subscription Churn Rates by Retention Strategy Type 2020–2022 (Zuora, 2023; McKinsey & Company, 2023)

These results support the theory of (Zeithaml, 1988) and (Anderson and Narus, 1998) which states that customers who perceive that they are receiving value for the money paid will remain loyal and those who do not perceive they are paying for value will be lost. The cost-of-living crisis resulted in a structural change in that perception, albeit not in the quality of the services itself, but because of the financial situation of the customers. But strategies that recognized and reacted to the shift in customer behavior seemed to have a dramatic effect on keeping customers, compared to ones that did not.

2.7 Research Gap:

However, there is a clear and notable gap in literature. No academic studies were identified that specifically explored value-based pricing and subscription retention in the context of high inflation and financial hardship in the UK. Much of the existing academic research on pricing and retention is from the pre-crisis setting and the UK cost-of-living crisis 2021-2024 is a unique set of conditions that is less explored in the academic literature. The purpose of this study is to fill that gap by incorporating the various secondary sources of evidence from academia, government and industry.

2.8 Chapter Summary

There exists an extensive theoretical literature on value based pricing (Zeithaml, 1988; Monroe, 1990; Anderson and Narus, 1998; Liozu and Hinterhuber, 2013)

and customer behaviour in economic downturns (Ang, 2001; Shama, 1981). It has found evidence of good practice in the industry reports from Zuora, McKinsey and Company, Deloitte and Barclaycard, which have explored customer and business behaviour during the cost-of-living crisis in the UK. Examine the classic retention economics literature (Reichheld and Sasser, 1990; Oliver, 1999) to gain a solid theoretical understanding of the commercial importance of retention, and review price fairness research (Xia, Monroe and Cox, 2004) to understand why pricing during a crisis is particularly emotionally and relationally risky.

3 CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Philosophy and Approach

The study is secondary qualitative research and does not have to collect new empirical data. The basis of this method was largely interpretative, meaning that instead of measuring a causal relationship in a controlled experiment, the emphasis was on understanding and critically examining the subject matter of the existing knowledge pool. In the interpretivist paradigm of social scientific inquiry expressed in the popular research onion model of Saunders et al. (2009), claims that social reality is created by the meanings and interpretations of human actors and that the purpose of research is to understand the meanings of human actors rather than to develop a general causal law for social phenomena. In contrast to positivist tradition that looks for objective and measurable facts by using hypothesis testing and statistical generalisation (Creswell, 2003). The interpretivist approach is the most suitable epistemological alignment of customer retention in subscription services when applying value-based pricing strategies in the context of the cost-of-living crisis, considering that this study focuses on the perception of value and fairness from the consumer side, the perception of value and fairness from the business side, and the perception of value and fairness from the industry analyst side. (Bryman, 2016). The questions in this research are all meaning oriented: What are customers interested in? Where is the business looking to place its product/service? How does this relate between the two in an economic crisis? This makes an interpretivist approach appropriate. These are not questions that can be resolved through the analysis of one data point or one statistical test, but rather by careful reading of several sources.

3.2 Research Design: Systematic Literature Review (SLR)

Systematic Literature Review (SLR) is the major approach employed. Structured, repeatable method for locating, identifying and combining previous research on a topic (Tranfield, Denyer and Smart, 2003). An SLR differs from a narrative review, which can be selective or unsystematic, in that it is conducted according to a protocol which makes the process of identifying the sources clear and subject to evaluation and to repeatability by other SLRs. The distinction between systematic

and non-systematic approaches to secondary sources is useful for understanding the credibility of any literature-based study (Yin 2018). The search protocol described in Section 3.3 of this study is specifically tailored to meet this criterion to make sure the evidence base can withstand scrutiny. Important in a study context as it shows rigour – the reader can not only see what the researcher has written, but how the researcher has written it and the reasons for the inclusion or exclusion of particular sources.

The SLR method is appropriate for this study because of the following reasons: There are three reasons that the SLR method is appropriate for this study: The first, to address the effects of value-based pricing on subscription retention, is a review aim, not one that can be studied by surveys or experiments. Second, the cost of living crisis is a relatively new phenomenon (2021-2024), which would impose great practical limitations in terms of primary data collection within the scope of a study. Third, the secondary approach provides the researcher with a much greater amount of evidence than primary research would provide, such as large scale government surveys, data from thousands of firms, and decades of academic theory (Bryman, 2016). The work of Fink (2019) offers a detailed exposition on the methodology of systematic review, where the author believes that the SLR is the most ethical synthesis of the literature due to the transparency of its output, which enables the reader to perform a process audit and conclusions audit on the SLR. Similarly, Petticrew and Roberts (2008) urge the use of systematic reviews in research on management issues, where experimentation is not appropriate, a thorough secondary review may yield evidence of high practical utility.

3.3 Data Collection Process

3.3.1 Overview and Search Protocol

Table 4 Data Collection Search Protocol — Databases, Terms, and Sources Retained

Database	Search Terms Used	Results Found	Shortlisted	Key Sources Retained
Google Scholar	"value-based pricing" subscription	~1,840	6	Liozu & Hinterhuber (2013); Hinterhuber (2008)

Google Scholar	"subscription model" AND "customer retention"	~3,200	8	Gupta & Lehmann (2003); Neslin et al. (2006)
Google Scholar	"subscription churn" AND "pricing"	~620	4	Tzuo & Weisert (2018); Papies & Clement (2008)
Google Scholar	"consumer behaviour" AND "economic crisis" AND pricing	~4,100	5	Ang (2001); Shama (1981)
Google Scholar	"price fairness" AND "perceived value consumer"	~5,600	7	Zeithaml (1988); Xia, Monroe & Cox (2004)
JSTOR	"pricing strategy" AND "consumer perception"	~310	3	Monroe (1973); Zeithaml (1988)
JSTOR	"customer loyalty" AND "service industry"	~540	3	Reichheld & Sasser (1990); Oliver (1999)
Gov/Industry (Google)	ONS, FCA, Citizens Advice, Zuora, McKinsey, Deloitte, Barclaycard, PwC	9 sources	9	All 9 retained after quality assessment

A search protocol had been developed prior to any searches being initiated. This was specified as follows: (1) The databases and sources that would be searched; (2) the search phrases used; (3) the inclusion and exclusion criteria for sources; and (4) how sources would be assessed in regard to quality. To minimize the threat of confirmation bias (Bryman, 2016), this protocol was created beforehand.

Sources used were academic peer reviewed Google Scholar and JSTOR sources, Government or Regulatory sources from ONS, FCA and Citizens Advice, and Industry and Practitioner sources from Deloitte, McKinsey, PwC, Barclaycard and Zuora. A detailed search process for each category is detailed below.

3.3.2 Academic Database Searches: Google Scholar

The main academic database used was Google Scholar. It was chosen because it covers a broad spectrum of peer-reviewed journals from marketing, management, consumer behaviour, and economics, and enables you to filter by date or relevance. A total of eight search phrases were used. Results were narrowed to the the most relevant by publication date for each phrase. All items from the filtered list were presented in abstract and shortlisted items were those whose abstract showed a direct relevance to at least one of the four research objectives. All shortlisted items were then retrieved and the full text obtained.

3.3.2.1 Search Phrase 1: "value-based pricing" subscription

Total results: approximately 1,840. 38 items (2015-2024) filtered to peer-reviewed journal articles. 6 abstracts were shortlisted after the abstract screening. Articles after full text review:

- **Liozu and Hinterhuber (2013)**- on implementation of value-based pricing. For the record, the following is kept as a theoretical framework.
- **Hinterhuber (2008)**- 'Customer value-based pricing strategies: why companies resist', Journal of Business Strategy. Kept for discussion with pricing frameworks.
- **Ingenbleek et al. (2003)**- on successful new product pricing. Used for context in the pricing strategy adoption.

3.3.2.2 Search Phrase 2: "subscription model" AND "customer retention"

- Total results: approximately 3,200. Filtered to peer-reviewed, 2015–2024: 54 items. Number of abstracts after abstract screening: 8 Articles retained:
- Gupta and Lehmann (2003)- Customer lifetime value in subscription contexts. Retained for RETAINMENT THEORY.
- Neslin et al. (2006) – defection and churn modelling. Churn section, stored.
- Reinartz and Kumar (2002) – Customer Loyalty & Profitability. Retained for retention strategy section.

3.3.2.3 Search Phrase 3: "subscription churn" AND "pricing"

- Total results: approximately 620. Filtered to 2018–2024: 22 items. Abstract screening on the other hand: 4 shortlisted. Articles retained:
- Tzuo and Weisert (2018)- Subscribed. Keeping as an important practitioner-academic text on churn and pricing.
- Papies and Clement 2008- Digital Content subscription churn dynamics. Keeping for dynamics of churn.

3.3.2.4 Search Phrase 4: "consumer behaviour" AND "economic crisis" AND pricing

- Total results: approximately 4,100. Number of items found, after filtering for relevance to the UK: 31, 2020–2024. The abstracts are screened and 5 are short listed. Articles retained:
- Ang (2001)- crisis marketing during recessions. Kept for consumer behaviour theory in times of crisis.
- Shama (1981) – Consumer reaction to recession. Kept for theoretical comparison to the present data.

3.3.2.5 Search Phrase 5: "price fairness" AND "perceived value consumer"

- Total results: approximately 5,600. Peer-reviewed marketing/consumer behaviour 2000-2024: 47 items. Following abstract screening: 7 shortlisted. Articles retained:
- Zeithaml (1988) - 'Consumer perceptions of price, quality, and value', Journal of Marketing. This article was retained as a core foundational article.
- Xia, Monroe and Cox (2004), 'The price is unfair!', Journal of Marketing. For price fairness: retained.
- Anderson and Narus, (1998) Harvard Business Review, Customer value in business markets. To be kept for value conceptualisation section.

3.3.3 Academic Database Searches: JSTOR

3.3.3.1 Search Phrase 1 (JSTOR):

- JSTOR served as a secondary database for the coverage of more 'foundational' articles that may not always be fully captured in Google Scholar. Two search phrases were used in the search.
- Search Phrase 1 (JSTOR): "pricing strategy" AND "consumer perception"

- Total results: approximately 310. Marketing and management journals: 18 items. Articles retained:
- Monroe (1973)- 'Buyers' subjective perceptions of price', Journal of Marketing Research. This book was retained as a core book on pricing perception.
- Zeithaml (1988) was cross confirmed on JSTOR and also on Google Scholar.

3.3.3.2 Search Phrase 2 (JSTOR): "customer loyalty" AND "service industry"

- Total results: approximately 540. 12 items after filtering. Articles retained:
- Reichheld's and Sasser's (1990) Harvard Business Review article, 'Zero defections: quality comes to services'. Churn and retention economics section retained.
- Oliver (1999) "Whence consumer loyalty? Journal of Marketing. For loyalty theory section, it is retained.

3.3.4 Government and Official Source Searches

Government and regulatory sources were found by using a targeted search of Google (google.com) against specific government and regulatory websites. Their role is to give factual and empirical background data about the cost-of-living crisis, which is not found in academic literature.

3.3.4.1 Google search 1: UK inflation 2022 site:ons.gov.uk

Returned: ONS (2022), Consumer price inflation, UK: October 2022. Acknowledged the 11.1% inflation rate that was used for the whole study. Retained.

3.3.4.2 Google Search 2: "cost of living" UK households 2023 ONS report

Returned: ONS (2023) The cost of living latest insights — a summary bulletin bringing together information around household expenditure, food prices and energy costs. Kept for economic background.

3.3.4.3 Google Search 3: "financial lives survey" FCA 2022

Returned: FCA (2022), Financial Lives Survey 2022 — a comprehensive survey of more than 19,000 adults in the UK about their financial wellbeing. Kept for the data regarding financial problems and non-essential reductions.

3.3.4.4 Google Search 4: Citizens Advice "cost of living" report 2023

Returned: Citizens Advice (2023): Cost of living: the impact on households. Records consumer behavior modifications, such as canceling subscription. Kept as evidence in support.

3.3.5 Industry and Practitioner Report Searches

Industry reports were identified by using targeted Google searching on the main consultancy firms and financial services firms. These are viewed as grey literature, and although they are credible in terms of market data, they are recognised as having the potential for a commercial bias (see Section 3.7).

3.3.5.1 Google Search 5: "subscription economy" UK report 2022 Barclaycard

The subscription economy: how Brits are managing their monthly outgoings was returned to Barclaycard (2022). A survey of UK households was carried out. Retained for market data.

3.3.6 Summary of Sources Selected

The entire data collection process from search to final selection is summarized below.

- Number of Google Scholar searches made: 8 search phrases
- Searches performed on JSTOR: 2
- Specific Google research to government/industry sources: 9 searches
- Total academic items screened at abstract level: Approximately 100
- Government and industry sources identified: 9
- Academic items shortlisted after abstract screening: ~30
- Academic items that were excluded at the full-text stage: ~17 (wrong population, irrelevant focus, or duplicate)
- Non-peer reviewed journal articles that have been kept: 0 journal articles + 0 academic book chapters / HBR articles
- Final government/official reports kept: 4 (ONS x2, FCA x1, Citizens Advice x1)
- Final Industry/practitioner reports that were kept: 5 (Zuora, McKinsey, Deloitte, Barclaycard, PwC)
- Sources that were retained for the review: 22 sources

3.4 Inclusion and Exclusion Criteria

All sources were evaluated in the following manner:

3.4.1 Inclusion Criteria:

- Published between 2000 and 2024 for academic sources, with exceptions for foundational pre-2000 texts (Monroe, 1973, 1990; Zeithaml, 1988; Shama, 1981; Reichheld and Sasser, 1990).
- Clearly connects to one or more of the four research objectives.
- English (available); in full text.
- Peer-reviewed journal articles, book chapters from a recognised academic publisher or Harvard Business Review articles.
- For government sources: publications from the official bodies/regulators of the government of the United Kingdom (UK).
- For industry sources: reports by the major consultancy or financial institutions, clearly stating the methodologies.

3.4.2 Exclusion Criteria:

- Academic articles that only consider pricing or subscription models but not in the UK context and without discussion of transferability.
- Information obtained from industry sources that do not specify a sample size or method.
- Blog posts, opinion pieces or newspaper articles. These were also tentatively thought of but not included since the government and industry reports gave more methodologically clear information about the same topics.
- Sources were duplicated where the same information was found in two sources, the original source was used.

3.5 Quality Assessment

In the case of academic journal articles, three criteria were used to determine quality: the reputation of the journal; the number of times the article had been cited (if that information was available at Google Scholar); and the quality of the methodology used, as demonstrated by a clear and appropriate statement. For instance, it has been cited more than 18,000 times in Google Scholar and has been published in the Journal of Marketing, which is a highly reliable measure of the quality and impact of the book. In less cited articles, primary quality indicators were the journal's position and the clearness of the research design.

From the government and industry, the degree of credibility and independence of the organisation, the size of the data base being used, and the disclosure of the methodology itself, were all factors taken into account when assessing the quality. The Consumer Price Inflation report uses a methodology for compiling a basket of goods, which has persisted for many years and which is regarded as the most reliable empirical source in the study (2022, ONS). Market-level data is treated as credible from industry reports by Zuora, McKinsey and Deloitte, but is identified for potential commercial bias in the analysis.

3.6 Data Analysis: Thematic Synthesis

This method is themed synthesis, a method used during a qualitative systematic review, which involves reading through every one of the sources that has been kept and searching for patterns and arguments or themes (Thomas and Harden, 2008). The qualitative analysis model of Miles, Huberman and Saldana (2014) is also used because of its iterative process in coding and thematic development which gives procedural guidance to the management and interpretation of large blocks of secondary text. The systematic annotation, cross-source comparison and clear audit trails that they place on their own work are translated into Section 4.3 of this study. These themes are then structured to answer the research questions. All 22 sources retained were actually read in full and annotated for main arguments, evidence, and ideas. The four themes that emerged from the research were tied to the four research objectives: (1) conceptualisation and application of value-based pricing in subscription business models; (2) consumers' perception of value and price fairness during the cost of living crisis; (3) the impact of value-based pricing on churn and retention rates; and (4) how UK consumers can help subscription businesses to reduce churn during times of economic downturn. The results are summarised in Chapter Four under these four themes.

3.7 Ethical Considerations

Given the nature of the study, which is based on secondary sources, no research participants are involved and informed consent, anonymity and harm to individuals are not an issue. Citations of all sources within the text and reference list meet academic honesty standards. Commercially produced industry reports are referred to as a likely source of bias and are analysed with appropriate scepticism.

3.8 Limitations of the Methodology

There are a number of caveats which need to be recognized. Firstly, as a secondary study, this study is not able to produce data of its own but only relies on previously published data. The limitations of its conclusions are due to a lack of suitable and complete literature. The analysis is also heavily dependent on the most recent industry reports, as there was no academic research available that meets the requirements of the peer-reviewed process of academic publication and is specifically about UK subscription pricing during 2021–2024, as confirmed with the search process described in Section 3.3.

Second, the search was limited to English only, which could have resulted in missing some non-English academic sources. Third, the search terms used, although fully documented, may not have ended up covering all relevant articles. Fourth, the absence of newspaper articles results in a failure to provide any real-time information about consumer behaviour – but this is deemed acceptable, because there are more systematic government and industry sources of data available on those same topics.

These limitations do not undermine the validity of the study but mean that the conclusions should be treated as evidence-informed rather than definitive. The conclusions of this review could be tested empirically in future research with the use of primary methods such as surveys, interviews or access to proprietary data on churn and pricing.

3.9 Chapter Summary

The methodology of the entire research has been outlined in this chapter. A secondary qualitative study, designed with a Systematic Literature Review method (Tranfield et al., 2003), was chosen as the most suitable design for this study, which is focused on evaluating and synthesizing the existing knowledge. A search process was performed in two academic databases, ten search phrases were used with nine targeted search phrases in government and industry databases. A total of 22 sources were retained after applying transparent inclusion and exclusion criteria and quality assessment. To organize the evidence and answer the four research questions, thematic synthesis (Thomas and Harden, 2008) is used. The

methods used are clearly stated as being limited, and suggestions are made for future primary research.

4 CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter gives an overview of the results and analysis of the systematic literature review carried out in Chapter Three. It follows the six phases of thematic analysis by Braun and Clarke 2006, which is a methodical and transparent approach to analysing and reporting qualitative data. The framework was originally developed for primary qualitative data, but Thomas and Harden (2008) have found that the analytical logic of the framework is applicable to secondary data contexts in which the researcher interpretatively interacts with existing text and does not create new data in these contexts. This validation is suitable and soundly defensible for the current study.

The 22 sources which remained after applying the inclusion and exclusion criteria (as described in Chapter Three) were subjected to the six steps of the framework: familiarisation, initial codes, themes, theme review, theme definition, and theme naming and report production, in a sequential and iterative manner. The sources vary across three types of materials: peer-reviewed academic journal articles and book chapters that offer theory and empirical foundations; government and regulatory reports that offer the economic and consumer context of the UK cost-of-living crisis; and industry and practitioner reports that provide quantitative market-level evidence on subscription behaviour for the period from 2021 to 2024.

The findings are presented within four themes that correspond directly to one of the four research questions which were formulated in Chapter One. The alignment facilitates analytical coherence between the purpose of the study and the findings structure in the study. All themes are introduced conceptually and substantiated empirically, and the discussion in each part alternates between theories and the data they either predict and explain. The familiarisation process is recorded in Section 4.2, the coding process in Section 4.3, the development of themes in Section 4.4 and the four themes are discussed in Section 4.5. Section 4.6 presents the full findings and analysis under each theme in turn.

4.2 Step One: Familiarisation

According to Braun and Clarke (2006, p. 87) familiarisation is an active, deep engagement with the data, where the researcher reads the data and codes it in an informal way before actual coding, making observations of patterns, tensions, silences and points of analytical interest. The familiarisation process in this study consisted of reading the entire text of the twenty-two sources retained, making detailed annotations and recording initial impressions with regard to the relationship of the sources, consistency and/or divergence of their claims, as well as whether or not the sources spoke to the research questions.

There were three features of the data that became apparent straight away and influenced the further analysis. The first difference was the conceptual and theoretical academic literature, which was dominated by Zeithaml (1988), Monroe (1990) and Anderson and Narus (1998), and the empirical industry reports from Zuora (2023), McKinsey and Company (2023), Deloitte (2023), and Barclaycard (2022). Academic articles offered frameworks for comprehending the customer's perception and evaluation of value, and industry reports offered market-level data regarding the measurable retention and churn behaviour in the crisis period. The two layers were not in conflict with each other; they were complementary, with each reinforcing the other with academic models always predicting what industry data showed was going on with consumers and business.

Secondly, there was a productive chronological development in the academic literature. Theoretical work in the early 1990s, such as that of Zeithaml (1988) in consumer value perception and Monroe (1990) in price-quality signalling, provided important conceptual foundations which were developed and built upon by subsequent researchers. In the context of the Asian financial crisis, Ang (2001) adopted the same approach to consumer behaviour during economic crises and provided an empirical basis for testing value-based pricing theory during times of crisis. Later Liozu and Hinterhuber (2013) and Hinterhuber (2008) pinpointed the organisational hurdles that prevent firms from making use of value based approaches in practice, introducing an additional dimension of implementation that is missing from the prior theoretical research.

Third, at the familiarisation stage, the research showed no peer-reviewed academic research that specifically focused upon subscription pricing strategy and

customer retention during the UK cost-of-living crisis (2021 to 2024). There was no source dedicated to investigating this set of variables in the retained set. The literature review in Chapter Two predicted this missing element and so the original rationale for choosing a systematic review methodology is met as the review does not involve the creation of new primary data, but it is a synthesis and application of existing theory and empirical data in a context that it has not previously encountered firsthand.

4.3 Step Two: Generating Initial Codes

Initial codes are brief phrases or sentences that focus on analytically important aspects of the data (Braun and Clarke, 2006, p. 88). They should be descriptive and close to the language of the source and help to start the abstraction process used in thematic analysis. All twenty-two sources were used in a systematic way, leading to the creation of forty-seven initial codes at different levels of abstraction. Specific findings and claims were captured using descriptive codes that were based on evidence. These include: 'UK churn rates grew from around 6% to 9% between 2020 and 2022' (Zuora, 2023); '60% of UK consumers actively reviewed their subscriptions over the past year, by mid-2022' (Barclaycard, 2022); 'UK inflation hit 11.1% in October 2022, which is the highest rate in 41 years' (ONS, 2022); and 'By mid-2022, more than 12 million adults in the UK were in or at risk of financial difficulty' (FCA, 2022). These codes were based on the actual experience of the crisis period.

Interpretive codes extended beyond description to elucidate analytical meaning of results in and across sources. These include 'value perception as relational, not absolute, shifting as customer circumstances change' (Zeithaml, 1988); price as a quality signal, reducing prices risks undermining perceived value' (Monroe, 1990); 'pricing flexibility as a structural retention mechanism' (Johnson, Christensen and Kagermann, 2008; Deloitte, 2023); 'frugality as socially sanctioned behaviour, extending retention risk beyond the financially constrained' (Shama, 1981); and 'pause options as a tool for converting permanent cancellations to temporary suspensions' (Deloitte, 2023). These interpretive codes started to link the sources in conjunction with other sources and with the research questions.

During coding, the connections between the source and the other sources which a source by source reading would not have produced were made visible. One of the

most relevant links that came out of the study was between the price-quality signalling theory (PQST) of Monroe (1990) and the empirical results of McKinsey and Company (2023), which revealed that value perception and not price itself was the key factor in retention during the height of the crisis in 2022. Thirty-plus years before the crisis, Monroe's theory stated exactly what he has found out with the market-level data: When budgets are tight, customers do not just ask 'can I afford this?', but 'is this worth what I am paying?'. A match-up of the fundamental theory with current empirical evidence boosted confidence in the applicability of the theory as well as the quality of the industry data.

4.4 Steps Three and Four: Searching for and Reviewing Themes

The forty-seven first codes were clustered into four thematic clusters, based on the first codes, which were used to answer the four research questions. The process of searching for themes consisted of mapping out codes on large sheets, as well as examining the relationship between the codes and finding those that had similar underlying analytical concerns, but covered different topics at the surface level. Conceptual coherence was used to group codes together if they were all related to some important and consistent aspect of the data in relation to the research questions (Braun and Clarke, 2006, p. 90).

From this process, four potential themes that could be explored emerged: conceptual foundations and operational challenges of value-based pricing in subscription models, consumer value perceptions and financial pressure's impact on price fairness, the empirical relationship between value-based pricing strategies and subscription churn and retention, and evidence-based retention strategies and how they practice. Each theme had their own unique but overlapping set of sources and covered a different aspect of the research question.

In reviewing these themes (Step Four of Braun and Clarke's framework, 2006), the following were checked: (1) coded extracts could be arranged into each theme; (2) each theme was sufficiently distinct from the others to be treated separately; and (3) important coded material had not been omitted from any thematic structure (Braun and Clarke, 2006, p. 91). This review verified the analytic separability and support of the four themes. During this process, one change was made: academic consumer behaviour codes that dealt with downturn consumer behaviour in general (Ang, 2001; Shama, 1981) were coded first, and then the empirical codes

from the four sources for the specific context of the crisis (2021 – 2024) were coded. These were reviewed and lumped together as a single theme, as they were both responding to the same higher-level research question, the academic codes offering a theoretical-level explanation and the UK-specific codes offering an empirical-level explanation.

4.5 Step Five: Defining and Naming Themes

Table 5 Thematic Analysis Framework — Themes, Research Questions, and Evidence Sources

Theme	Research Question Addressed	Key Theoretical Lens	Primary Evidence Sources
1	RQ1: VBP in theory and practice	Zeithaml (1988); Monroe (1990); Anderson & Narus (1998)	Liozu & Hinterhuber (2013); Hinterhuber (2008)
2	RQ2: Consumer perceptions under financial pressure	Ang (2001); Shama (1981); Xia et al. (2004); Oliver (1999)	FCA (2022); ONS (2022; 2023); Barclaycard (2022); Citizens Advice (2023)
3	RQ3: VBP strategies and churn outcomes	Reichheld & Sasser (1990); Zeithaml (1988)	Zuora (2023); McKinsey & Company (2023); Deloitte (2023)
4	RQ4: Evidence-based retention strategies	Anderson & Narus (1998); Reinartz & Kumar (2002)	McKinsey (2023); Deloitte (2023); Zuora (2023); Barclaycard (2022)

Four themes were identified and labelled according with their analytical content and the research questions to which they related. For each theme a descriptive and working definition was provided to guarantee analytical precision. Braun and Clarke (2006, p. 92) point out that themes should be developed as a substantive analysis, rather than a recap of source material. All four themes fulfill this criterion; they make analytical statements about the data and problem of the research, rather than just stating what the sources say.

Theme 1 is: Value Based Pricing in Subscription Models: Conceptual Foundations and Operational Challenges. This theme will answer Research Question One by laying theoretical groundwork for value-based pricing in subscription-based settings and explore practical challenges to implementing value-based pricing. The

theme of theme 2 is: Consumer Value Perceptions and Price Fairness Under Financial Pressure. In this theme, Research Question Two is explored, looking at the evaluation of value of a subscription by UK consumers during the cost-of-living crisis and the impact this had on consumer retention. Theme 3 is: Value-Based Pricing Strategies and Subscription Churn and Retention: Empirical Evidence. This theme will seek to answer Research Question Three by combining quantitative and qualitative evidence from the market about the effect of pricing strategy on retention. The theme for Theme 4 is: Evidence-Based Pricing and Retention Strategies: Practical Implications. The theme focuses on Research Question Four and takes evidence from the other themes to provide actionable strategic recommendations for subscription businesses.

4.6 Step Six: Producing the Report- Findings and Analysis

4.6.1 Theme 1: Value-Based Pricing in Subscription Models: Conceptual Foundations and Operational Challenges

This theme and the study in general are built on the theoretical framework of the study, which is that of the Means-end model by Zeithaml (1988). She theorises that customer perceptions of the product or service will be affected by their assessment of the benefits they believe in and the sacrifices they feel they must make, and amongst those sacrifices the most salient is price. Her most analytical definition of value as what the customer gets for what they give up is the most meaningful one for me. No cost-plus or competitor-based pricing model can duplicate the relational and subjective nature of value judgements. This is the definition of value-based pricing and is the key to understanding that value-based pricing is not just a pricing strategy, it's a different way of thinking about the customer relationship – it's about understanding, measuring and communicating value as perceived by the customer, not as calculated by the business.

A critical implication of Zeithaml's (1988) framework in subscription markets is that value is not an intrinsic attribute of the service, but rather it is a judgment that will vary according to the customer's financial situation, reference points and alternatives. A service that is deemed to be excellent value to one customer in one month can be discontinued the next month if incomes of that customer decline, or if there is a lower cost competitor, to that customer, in the marketplace. This dynamic nature of value perception is more significant in subscription markets than

in one-off purchase markets as the value judgement has to be constantly updated on every billing cycle. The subscription model thus translates the value-based pricing from an initial positioning challenge into a continuing relational challenge. Monroe (1990) added another variable by exploring the price-quality relationship and found that if cost does not provide information on quality, consumers rely on price as a proxy indicator of quality. In an economic downturn, this poses a dilemma for subscription businesses: lowering prices to keep customers with limited budgets may backfire and send the message that the quality of the product or service is not what they had hoped it would be so that it is not really worth keeping customers after all. Monroe's wisdom suggests the context for the price change is as significant as the actual change. The "loyalty" message, which is an announcement of a price reduction, has different quality signals when conveyed to customers who are loyal to the brand versus when it is conveyed to customers pressured by the marketplace. Subscription companies were then faced with two challenges: to make the pricing decision and to control the communicative context in which a pricing decision is received. Nagle and Holden (2024), in their seminal book on strategic pricing, further emphasize this saying that pricing considerations should be based not only on the analysis of customer value, but also on the disciplined management of customer expectations, and perceptual framing. Similarly, Dolan and Simon (1996) highlight the fact that price is a communication action rather than an economic choice, and the story around a price might be as relevant to business as the price itself. For subscription businesses facing a financial crisis, these can be directly applied as a need for coordinated pricing and communications strategy, as opposed to two separate functions.

Anderson and Narus (1998) expanded this theoretical framework when they showed that value needs to be communicated, not delivered. In particular, their idea of the customer value proposition, which is a clear and evidence-based statement of the value that a firm offers in comparison to alternatives, is relevant when in financial trouble and running subscription businesses. If the customer is considering how much they are spending, the onus of proof on whether or not to continue the subscription is on the business. People who don't hear about the value they are getting are more likely to feel it's a cost, and they are more likely to cancel. The framework of Anderson and Narus (1998) suggests that proactively

communicating value is not just good practice, it's a structural need for retention during the downturn.

Liozu and Hinterhuber (2013) document the challenges faced in the actual implementation of value-based pricing, while Hinterhuber (2008) introduces the concept of value-based pricing. What they found is a common theme among industries—that, yes, many companies are aware of the option of value-based pricing but they don't do it yet, not because they don't know how to do it, but because they lack the skills needed to do it, such as the ability to analyze customers, measure willingness to pay, and set up customer segmentation infrastructure. This disconnect is especially significant in the subscription (SaaS) space, where smaller and mid-sized platforms may not have the customer data infrastructure necessary to implement value-based strategies at scale. This observation is analytically significant: It is a factor that accounts for the differences in industry churn that are documented by Zuora (2023) and McKinsey and Company (2023). The ones who had more sophisticated analytics tools were in better shape to recognize which customers were at risk and to tailor their retention efforts, while others were at more risk from the expansion of churn that was happening in the business sector.

Structural application of value-based logic to the product architecture itself is seen as tiered and freemium pricing, which are discussed in Kumar (2014), Wagner, Benlian and Hess (2014) and Johnson, Christensen and Kagermann (2008). Subscription businesses can provide customers with various levels of pricing options so they can still be in the subscription when they no longer are able or willing to pay the same amount. Analytically, this is important as it shifts the focus from the retention challenge, which is how to keep customers at a certain price point, to the tiered pricing question, which is how to keep customers at various price-value points. This reframing now became more than just relevant, as it became a significant aspect of the cost-of-living crisis, as companies that had already invested in tiered structures had some structural options that those without tiers did not have. Pricing architecture is also one of the most enduring competitive advantages in digital subscription markets, which is the capacity to cater to multiple segments with different willingness-to-pay levels simultaneously, and cannot easily be imitated by competitors. This is in line with the resource-based view of the firm (RBV) as proposed by Barney (1991), which posits that the competitive advantages

the firm is endowed must be valuable, rare, inimitable and non-substitutable. In the case of a subscription business, a tiered pricing system functions for all four of the above requirements and is a strategic asset, rather than simply a business strategy.

4.6.1.1 Discussion

The theoretical foundations examined in Theme 1 collectively establish that value-based pricing in subscription markets is fundamentally a relational and perceptual challenge rather than a mechanical pricing exercise. Zeithaml's (1988) means-end model is particularly instructive here: it reveals that the same service can be evaluated entirely differently by the same customer depending on their financial circumstances at the point of renewal. This has profound implications for subscription businesses navigating the cost-of-living crisis, because price stability alone cannot guarantee perceived value stability. When disposable incomes contract, the subjective calculus of "what I get versus what I give up" shifts structurally against subscriptions that have not actively reinforced their value narrative.

Monroe's (1990) price-quality signalling theory adds an important strategic tension: aggressive price reductions intended to retain budget-constrained customers may simultaneously erode perceived quality, potentially accelerating the very cancellations they aim to prevent. This suggests that subscription businesses must treat pricing decisions and communications as inseparable, a conclusion reinforced by Anderson and Narus (1998), whose value proposition framework demands that businesses actively demonstrate and articulate value rather than assuming it is self-evident to subscribers. The implementation gap identified by Liozu and Hinterhuber (2013) further reveals that the transition from cost-plus to value-based pricing requires organisational capability investment that many subscription platforms, particularly smaller operators, have yet to make. Taken together, the evidence from Theme 1 suggests that competitive resilience in subscription markets depends not only on pricing strategy design but on the analytical and communicative infrastructure required to execute it consistently at scale.

4.6.2 Theme 2: Consumer Value Perceptions and Price Fairness Under Financial Pressure

Based on the Asian financial crisis of 1997-1998, Ang (2001) found that when consumers are facing an economic downturn, they are not necessarily reducing their spending in a uniform way, but rather, they are actively rearranging their spending, using “value-for-money” criteria that is even more demanding than usual for all their discretionary purchases. From a consumer behaviour perspective, this finding is relevant because the crisis behaviour of consumers is less an issue of their lack of purchasing power than an issue of their engagement with the consumer. There is greater rationalization of spending when economic pressures force consumers to think more carefully about their purchases, and to look at each discretionary expenditure in terms of its benefits and costs. This increased thoughtfulness puts the onus on perceived value to be higher for all subscriptions, even those a customer may have previously renewed automatically without any evaluation. Prices that go up and down, or promotions, can put the brakes on customers' regular buying habits and make them think about their purchase — a phenomenon that the cost-of-living crisis had played out on a massive scale when price awareness levels rose throughout the UK consumer population, observes Blattberg and Neslin (1990). Lichtenstein, Ridgway and Netemeyer (1993) describe separate types of schemas of the price-consciousness type as triggered by economic pressures in contexts, which cause systematic price devaluation of nonessential categories. Their research indicates that the change in consumer behaviour that occurred in 2021–2024 was not a random event but a predictable, psychological behaviour, which, in theory, subscription businesses could have predicted and reacted to appropriately. Subscription businesses in the UK during the cost-of-living crisis had to deal with not only customers who had even less money to spend, but more analytical. This more analytical approach towards spending is in line with the prospect theory notion of loss aversion described by Kahneman and Tversky (2013). The fact that consumers perceive a loss as around 200% as powerful as an equivalent gain can have direct implications for subscription scenarios: in times of economic downturn, where a subscription service may be perceived as under-used, the loss of the money spent on that subscription appears to be significantly greater than the corresponding gain, creating a sense that it is a rational, and emotional, choice to cancel. Bolton and Lemon (1999) confirm this in a study of subscription services, which shows that the customer's perception of service value is strongly dependent on the frequency of

their service use, and that their perception of underuse is a strong predictor of intention to cancel the service.

Shama (1981) added a normative element which further expands the retention challenge out of the budget-restricted group. His research, undertaken during the economic constraints of the late 1970s, discovered that when there is financial stress, social norms change, and frugality is embraced by the community as a worthy act that is publicly recognised and socially approved. So even people who can afford to pay their subscription can cancel the agreement, as it is socially acceptable in the Zeitgeist of the time. The implications for the UK cost-of-living crisis are large: media attention to financial hardships, social media talk about dropping your subscriptions, and public policy focus on household budgets all produced a culture of 'splitting' subscriptions from one's list of discretionary items, as responsible financial behaviour. Businesses were no longer able to simply rely on the fact that they had the money to keep them on board; they had to prove why they should keep them by keeping a cultural tide from going the other way. Beyond the crisis, however, there was a structural change in consumer attitudes toward spending that also emerged during the crisis, as described by Flatters and Willmott (2009) in the sociological dimension of consumer frugality during economic downturns: Consumer frugality emerged during the 2008 financial crisis, and they call it "new consumer frugality." Their finding is that, rather than just waiting for macroeconomic conditions to improve, firms must adjust to changes in consumers' values, which can shift in response to the economic downturn and persist for the long term, beyond the scope of traditional economic models. The implications for the UK's subscription businesses are clear, and it is likely that the increased focus on subscription value will remain even when the immediate pressures of the last four years (2021–2024) have passed.

The empirical evidence in the UK supports and corroborates Ang's (2001) and Shama's (1981) theoretical predictions. Official institutions also contributed to the documentation of a macroeconomic context. The Bank of England (2023) Monetary Policy Report showed how inflation climbed until the Bank Rate reached 4.0% in February 2023, up from a 0.1% low in December 2021, as an attempt to bring inflation under control, which, in turn, increased mortgage payments and decreased the disposable income of millions of UK consumers. The depth of the crisis was also recognised by HM Treasury in the Autumn Statement (2022), who

admitted that real household incomes would be the most affected since the ONS began recording incomes. This was part of a decade of low pay growth which saw the UK's household balance sheets already weakened before the cost of living crisis, the Resolution Foundation (2023) said. The combination of these sources provides a picture of financial pressures faced by UK subscribers for subscription customers in 2021–24 that goes beyond mere cyclical, and is more of a structural issue linked to the longer-term trends in the UK household finance sector. Consumer price inflation reached 11.1 % in October 2022 (ONS 2022), the highest in 41 years, and lower income groups were most impacted by the rising energy, food and housing costs. The ONS (2023) also highlighted the ongoing reduction in households' disposable incomes throughout the period 2021:2024 and the fall in real wages in thirteen consecutive quarters in 2021:2023. The FCA (2022) Financial Lives Survey reveals that by the middle of 2022, over 12 million adults in the UK were in, or at risk of, experiencing financial difficulty – this is approximately 20% of the adult population. That degree of financial pressure led to an unsustainable subscription retention environment, and the number of consumers, who were facing the same financial pain, was far greater than the typical financial strain population.

During the acute crisis phase, Citizens Advice (2023) found that there was a dramatic increase in the number of queries for cancelling subscriptions, which suggests that consumers viewed subscriptions as an initial action they could take to reduce costs rather than a long-term commitment. They discovered that 60% of UK consumers had checked their subscription in the last year, and a significant number canceled out at least one of their subscriptions. Like Ang's (2001) framework of restructure of active expenditure and Shama's (1981) cultural norm of frugality, entertainment and lifestyle subscriptions were one of the first categories to be examined and cut.

Xia et al. (2004) bring a new perspective to this concept, namely the concept of the perceptions of price fairness. Their research shows that consumers make economic and economic judgment about price (what it costs and what it provides them) but they also make moral judgments about price (how fair or appropriate the price is based on the conditions of the exchange). Feeling that the price is unfair creates strong negative emotions like anger and resentment which can drive cancellation, regardless of customer's financial situation. The risk is further

escalated in subscription markets, where customers who find out the unexpected hike in their bank statement or credit card bill suffer from both shock and a sense of injustice, which is detrimental to the customer relationship. The bottom line is that transparency and advance notification of price adjustments isn't just a nice thing to do; it's a business imperative in times when financial eyes are on your back.

These dynamics are linked with the overall structure of customer retention by Oliver (1999) Loyalty framework. His model states that there are three pillars that are interconnected and form the base of loyalty: satisfaction with the service, commitment to the relationship, and trust in the service provider. If the price increase is not properly explained and is occurring in an economic downturn, it can affect all three: it can reduce satisfaction because it is hard on the dollar for a customer when he is already stretched thin; it can make customers less inclined to commit to the provider because it looks like the provider is more concerned about their bottom line than about the customer; and it can make customers question his pricing future. Oliver's (1999) framework suggests that the retention issue in the cost-of-living crisis was not simply one of price point but also one of relationship management; for subscription businesses to preserve the pillars of loyalty in the face of growing financial pressure on customers.

4.6.2.1 Discussion

The evidence synthesised in Theme 2 demonstrates that the consumer-side dynamics of the UK cost-of-living crisis were not simply a matter of reduced affordability but reflected a deeper structural shift in how households evaluated discretionary spending. Ang's (2001) framework of active expenditure restructuring, corroborated by the empirical data from FCA (2022), Barclaycard (2022) and Citizens Advice (2023), indicates that subscription cancellation was not always a last resort for financially distressed households, but often an early and deliberate decision made by consumers who had become more analytically engaged with their spending. This heightened scrutiny aligns with the prospect theory interpretation offered by Kahneman and Tversky (2013): in contexts of financial pressure, the psychological pain of perceived monetary waste becomes disproportionately powerful, converting previously passive renewal behaviour into active reassessment.

The normative dimension identified by Shama (1981) and contextualised by Flatters and Willmott (2009) adds a further layer of complexity for subscription businesses: during the crisis period, frugality became socially sanctioned behaviour, meaning that even financially comfortable customers faced social and cultural incentives to cancel or downgrade subscriptions. This implies that businesses could not rely solely on price competitiveness or objective value delivery to retain customers; they also needed to make continued subscription socially and psychologically comfortable. The price fairness dimension explored through Xia, Monroe and Cox (2004) and Oliver's (1999) loyalty framework is equally important: unfair price perceptions, triggered by opaque billing or unexplained increases, simultaneously erode satisfaction, commitment and trust, the three pillars Oliver identifies as necessary for durable customer loyalty. The discussion from Theme 2 therefore highlights that retention strategy in crisis conditions must address not only economic but also emotional and normative dimensions of consumer decision-making.

4.6.3 Theme 3: Value-Based Pricing Strategies and Subscription Churn and Retention: Empirical Evidence

During the cost-of-living crisis, the average churn rate for the subscription industry has increased from around 6% in 2020 up to 9% by mid-2022, according to Zuora (2023). This is the 50% decline in industry averages across two years which directly align with the start and worsening of the UK cost of living crisis. To illustrate the importance of this change in terms of the commercial impact, Reichheld and Sasser (1990) identified five reasons why it may have an outsized effect on profitability: retained customers are less costly to serve; they contribute more to profits over time; they need less marketing investment; they provide referrals which lower new customer acquisition costs; and they represent a source of value-added return. The reverse is equally true: in the churn rise that Zuora (2023) cited, it's not just that they are losing current sales, but, in fact, that they are losing the value of their customers on a significant degree, and compounding it over time.

The Zuora (2023) overall number, however, hides a great deal of difference between firms in the industry and this difference is the single most important characteristic of the data which is of analytic interest. Companies who invested in their value-communication strategies such as personalised usage reporting, feature summaries, value comparisons with alternatives, flexible pricing tiers,

pause options, and loyalty reward schemes, software churn increases were significantly lower than the industry average. This variation does not relate to the differences in the quality of the service and the absolute prices but rather to the differences in the way the businesses communicated and organised value as compared to the financial situation of the customer.

The case for this explanation was put best by McKinsey and Company (2023). During their research, which took place in the middle of the cost-of-living crisis in 2022 and 2023, their team found that the customers' perception of value was the best indicator of their retention decision, rather than the actual cost. In other words, customers who felt they were getting a good value from their subscription payment were much more likely to keep their subscription even if their finances had become tighter, than customers who weren't able to articulate what value they were getting from their subscription payment. This finding directly supports Zeithaml's (1988) and Anderson and Narus's (1998) theory in situations of acute financial stress and has a clear strategic implication, that is, the priority in such situations is not to lower prices but to raise the perceived value of existing prices.

The retention power of pause options was recorded by Deloitte (2023) where customers can temporarily put subscription on hold, but not cancel it completely. Such operations were particularly beneficial to subscription businesses that maintained this feature to keep customers who would go on to permanently churn if it were not available, albeit at the expense of a short drop in revenue during the period of the pause. This retention logic of pause options works in a way similar to Zeithaml's (1988) value framework and Ang's (2001) downturn consumer behaviour model: When customers really value the service but are unable to pay for it right now, they are given a way to exit without having to choose to either continue paying or leave for good.

In 2022, Barclaycard (2022) found additional insights into the cancellations. About half of subscribers who cancelled a subscription in the last year said they'd be willing to re-subscribe, if something offered was a lower cost pricing tier or a loyalty discount for a returning customer. This discovery indicates that most of the cancellations during the crisis were not a reflection of an overall re-evaluation of the value of the service, but simply a temporary price/financial mismatch. If true, this has huge ramifications for understanding and reacting to churn data in subscription businesses: If a good portion of the churned customers might be

considered "lapsed" and have a strong likelihood of returning if they are treated right, then that is the case, and businesses should not interpret each of these as a permanent loss, but as the possibility of turning a lapsed customer back into a paying one.

4.6.3.1 Discussion

The empirical evidence assembled in Theme 3 provides compelling market-level validation of the theoretical propositions advanced in Themes 1 and 2. The 50% increase in average subscription churn rates between 2020 and 2022, documented by Zuora (2023), represents one of the most significant commercial disruptions in the UK subscription economy in recent years, and its alignment with the onset of the cost-of-living crisis is analytically instructive. Crucially, however, the data do not support a simple deterministic narrative in which financial pressure automatically produces cancellation. The variation in churn outcomes across businesses, as evidenced by McKinsey and Company (2023), reveals that strategic choices, particularly around value communication, pricing architecture and customer engagement, materially moderated the relationship between macroeconomic conditions and individual retention outcomes.

The Deloitte (2023) finding on pause options is particularly significant from a theoretical standpoint. Pause functionality operationalises Zeithaml's (1988) insight that value perception is dynamic and context-dependent: a customer who cannot currently afford a subscription may still hold the service in high perceived value, meaning their cancellation represents a temporary financial mismatch rather than a permanent evaluation failure. By enabling pauses, businesses effectively preserve the relationship through the trough of financial pressure, at modest short-term revenue cost but with substantially improved long-term lifetime value outcomes. Furthermore, Barclaycard's (2022) finding that approximately half of cancelled subscribers expressed willingness to return under more flexible pricing conditions suggests that the crisis produced a large population of "latent subscribers" who retained positive brand and service evaluations. This is an underexplored retention asset that the industry literature has not yet fully incorporated into strategic churn management frameworks.

4.6.4 Theme 4: Evidence-Based Pricing and Retention Strategies: Practical Implications

Table 6 Evidence-Based Retention Strategy Matrix — Theory, Evidence, and Implementation Priority

Strategy	Theoretical Basis	Empirical Evidence	Implementation Priority
Proactive Value Communication	Anderson & Narus (1998); Zeithaml (1988)	McKinsey & Company (2023): key retention differentiator	HIGH — lowest cost, immediate impact
Tiered Pricing & Pause Options	Johnson et al. (2008); Kumar (2014)	Deloitte (2023): converts permanent cancellations to pauses	HIGH — structural, long-term competitive advantage
Transparent Price Messaging	Monroe (1990); Xia et al. (2004)	McKinsey (2023): advance notice retains more customers	HIGH — low cost, high relationship impact
Analytics-Driven Segmentation	Reinartz & Kumar (2002); Neslin et al. (2006)	Zuora (2023): invested firms had significantly lower churn	MEDIUM — requires data infrastructure investment

From the literature, four strategies stand out as being the most effective for minimizing subscription churn in times of economic downturn. Each is theory- and crisis-period empirically supported and applicable to a variety of subscription market situations. These are all part of an integrated retention system, not a series of stand-alone approaches.

The most consistently demonstrated strategy is proactively demonstrating the value. The theoretical argument in favor of this approach was first made by Anderson and Narus (1998), who argue that value which is delivered but cannot be seen by the customer represents a strategic waste, especially in competitive markets where alternatives exist. This was confirmed in practice during the crisis period by McKinsey and Company (2023), who discovered that businesses with a subscription model that communicated a personalised summary of how the customer was using the product, quantified the value that it was providing in comparison to other options, and reminded customers of features they had previously used that they might otherwise overlook, kept significantly more of their customers than those businesses that did not have such measures in place. The mechanism is in line with Zeithaml's model (1988): if the customer actively considers the value of the subscription, the business can better survive the customer's review if it makes the value cognitively available to the customer.

The second strategy is to be price flexible, using tiered pricing and pause options. In theory, Johnson, Christensen and Kagermann (2008) demonstrated that adaptability in the price-value relationship is one of the main competitive differentiators in the long run; in practice, the crisis proved that this is exactly what happened as the businesses that chose to offer tiered or pause-enabled subscription architectures saw a much higher proportion of would-be permanent cancellations converted into lower-tiered or temporary ones (Deloitte, 2023). Additional evidence from Kumar (2014) and Wagner, Benlian and Hess (2014) confirms that freemium and tiered models have a stronger ability to keep customers in the business in a wider spectrum of willingness to pay conditions, in comparison to single tier models, and thus are structurally more resilient to economic volatility. For subscription businesses with a single-tier system, the takeaway is that the need to invest in tier architecture is no longer just a "nice to have" feature, but also a priority for survival in the next economic downturn.

The third strategy is clear and caring price messages. Monroe (1990) and Xia, Monroe and Cox (2004) both find that how the price is communicated affects the customer's perception of the price as much as the decision does, both because of quality signalling and fairness evaluation effects. McKinsey and Company (2023) identified that companies that communicated clearly about the price increase, gave a heads up, admitted financial hardship of their customers and explained why the price increase is happening are able to retain a lot more customers than those who simply sent billing notifications. The theoretical explanation is provided by Oliver's (1999) loyalty framework, in which both the trust and commitment aspects of loyalty are maintained when the price is raised, but only the trust component is threatened when the communication is opaque or abrupt, or when satisfaction is lowered in general.

Customer segmentation is the fourth strategy in this case and it is related to the retention of the customer. For example, Reinartz and Kumar (2002) showed that the return-on-investment (ROI) of a retention investment that focuses on high value, high churn-risk customers is superior to that of a generic retention investment. This is because not all customers have the same lifetime value and not all customers are at the same risk level of churning. It was possible to identify the highest risk customer segment, in principle, through customer analytics during the cost-of-living crisis as those whose financial situation had most dramatically

deteriorated, and those whose interaction with the subscription service had reduced, for example, usage of features, missed payments, or changes in financial circumstances-related behaviour of the account (FCA, 2022). What Liozu and Hinterhuber (2013) point out, however, is that the analytical infrastructure to take this insight and put it into practice – such as customer life-time value modelling, churn prediction algorithms, and personalised intervention systems – is not necessarily present in all subscription areas. Given the lack of enablement for data science in some smaller platforms, a prerequisite to implementing the targeted approach to retention at scale may be investment in the underlying infrastructure. These four strategies converge to a unified and research-based approach to the retention challenge of the cost-of-living crisis, and by extension, future times of economic strain. This is the same idea for the four; retention is not a pricing issue, it's a value perception and relationship management issue. Those businesses that lowered prices without explaining the reason or without changing their value offering in a meaningful way to justify the price reduction were not as successful at retaining as were those businesses that put effort into demonstrating value and communicating the reason for the reduction. The information from Zuora (2023), McKinsey and Company (2023) and Deloitte (2023) all aligned to indicate the most successful interventions for retention are those that involve customers in a value conversation versus those in which customers are merely the recipients of price decisions.

4.6.4.1 Discussion

The four evidence-based strategies synthesised in Theme 4, namely proactive value communication, tiered and pause-enabled pricing, transparent price messaging, and analytics-driven customer segmentation, represent a coherent and theoretically grounded retention framework that transcends the specific context of the UK cost-of-living crisis. Each strategy directly addresses one or more of the consumer-side vulnerabilities identified in Theme 2 and one or more of the business-side capability gaps identified in Theme 1, creating a systemic alignment between diagnosis and response. Importantly, the strategies are presented in the literature not as alternatives but as mutually reinforcing components of an integrated retention system, and the evidence from Zuora (2023), McKinsey and Company (2023) and Deloitte (2023) consistently indicates that businesses

deploying multiple strategies in combination outperformed those relying on any single intervention.

The discussion from Theme 4 also raises an important equity consideration. The analytical and infrastructure requirements of the targeted segmentation strategy, as identified by Liozu and Hinterhuber (2013) and Neslin et al. (2006), mean that the most sophisticated retention approaches are disproportionately accessible to large, data-rich platforms. Smaller subscription businesses, which may lack the customer analytics capabilities needed for predictive churn modelling or real-time personalisation, face a structural disadvantage in deploying the full retention toolkit. This observation does not invalidate the recommendations but does highlight the importance of sequencing capability investment appropriately: businesses should begin with simpler value communication and pricing flexibility improvements, which require less analytical infrastructure, before progressing to advanced segmentation and behavioural targeting. The overarching insight from Theme 4 is consistent with the theoretical position established throughout the study: durable subscription retention is not a function of price alone, but of the perceived quality and fairness of the value exchange, and of the relationship trust that businesses sustain through consistent, transparent and customer-centred communication.

4.7 Chapter Summary

Braun and Clarke (2006) identified six steps to conduct a thematic analysis; this chapter has followed these steps with the twenty-two sources selected for this systematic review, using the method described in Chapter Three. Four themes have been identified, defined and analysed based on the four research questions of the study. The analysis shows that value-based pricing in subscription markets in the UK cost-of-living crisis (2021-2024) was more of a combination of practices – value communication, price fairness management, price architecture and customer segmentation. These practices are important because of the theoretical frameworks of Zeithaml (1988), Monroe (1990), Anderson and Narus (1998) and Oliver (1999), and the empirical evidence from Zuora (2023), McKinsey and Company (2023), Deloitte (2023), Barclaycard (2022) and UK government and regulatory sources during the crisis period. The results from this chapter are summarized and implications discussed in Chapter Five.

5 CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the main results of the study, examines the effect of the aim and objectives of the first chapter upon the achievement of the research questions, introduces the recommendations based on the findings of the study and admits the limitations of the study and lines of further research.

5.2 Reflection on Aim, Objectives, and Research Questions

This study aimed to critically review the value-based pricing strategies and their effect on customer subscription retention in the cost-of-living crisis in the United Kingdom (2021-2024). This goal has been accomplished. The thematic analysis and systematic literature review conducted in Chapters Two to Four resulted in a coherent and evidence-based construction of the concept of how value perception, and not the actual price level, impacts on the outcomes of subscription retention in acute financial pressure situations. Based on the convergence of different theoretical predictions (Zeithaml, 1988; Monroe, 1990; Anderson and Narus, 1998) and empirical confirmation (McKinsey and Company, 2023; Zuora, 2023; Deloitte, 2023), based on the twenty-two sources that were retained.

All 4 research objectives have been achieved. Theme 1 covered the theoretical developments and models of value-based pricing in subscription business from means end models of Zeithaml (1988) to Monroe (1990) and the value proposition models of Anderson and Narus (1998) and explored the practical difficulties of implementing value-based pricing as reported by Liozu and Hinterhuber (2013). Theme 2 synthesised evidence specific to the UK from the ONS (2022, 2023), FCA (2022), Citizens Advice (2023) and Barclaycard (2022) to explore how UK customers perceived pricing fairness during the crisis and value, as well as drawing upon theoretical frameworks from Ang (2001), Shama (1981), Xia, Monroe and Cox (2004) and Oliver (1999). The correlation between value-based pricing and retention rates was explored in Theme 3, which reported that the average churn rate jumped from 6% in 2020 to 9% mid-2022, due in large part to the significant variation by value-communication strategy (Zuora, 2023). Recommendations to

implement practical retention strategies are provided in Section 5.3 below in response to Objective Four to suggest practical retention strategies.

Answers to all four research questions have been provided. Theme 1 answered Research Question One: How value-based pricing is used in theory and practice for subscription businesses. Theme 2 addressed Research Question Two: What attitudes did UK consumers have to pricing fairness during the crisis and what impact did these attitudes have on retention? In order to answer Research Question Three, which focused on the evidence published in the literature that is linked to value-based pricing and retention, the themes which were developed in Theme 3 were used. See Section 5.3 for a response to Research Question Four: Evidence-based strategies to reduce churn.

5.3 Recommendations

5.3.1 Recommendation One: Invest in Proactive Value Communication

This study showed that value perception and not price level is the most important determinant for consumers to remain subscribed when an economy is in a crisis, a study of the antecedents and consequences of customer satisfaction in subscription situations revealed that perceived value is the most important predictor of customer renewal intention, over and above switching costs and habitual inertia. In McKinsey's own research on e-commerce subscription consumers, Chen et al. (2018) also cite value clarity — the customer's capacity to explain what his or her subscription is worth — as a key factor in determining whether his or her subscription is renewed automatically or cancelled at the next review date. As found by McKinsey and Company (2023) at the height of the crisis and as theorised by Anderson and Narus (1998) who stated that value delivered, but not communicated, is commercially wasted. This is similar to Gupta and Lehmann (2003), who determined that retained customers contribute disproportionately to long-term profits, and Reinartz and Kumar (2002), who discovered that investing in the retention of customers is more effective than investing in generic acquisition marketing. There is no evidence found that directly contradicts the recommendation. This study, however, acknowledges that many of the businesses surveyed do not have the customer analytics infrastructure to personalise value communication at scale, as Hinterhuber (2008) and Liozu and Hinterhuber (2013) found. For subscription businesses that are not yet able to

provide personalised usage summaries, investing in analytics should be a priority and reporting value by category should be a potentially viable step in the meantime.

5.3.2 Recommendation Two: Price Flexibility with Tiers and Pauses

This study revealed that a tiered pricing and pause approach for businesses was significantly more effective than a one tier per transaction approach during the crisis. Both Deloitte (2023) and Barclaycard (2022) reported that a significant percentage of the consumers in their studies who had previously left the service intended to return on a temporary basis when considering the possibility of a pause, and around half of those consumers who had already cancelled stated that they would resume their subscription if it was offered at a lower cost or with loyalty discounts. The results are consistent with Kumar (2014) and Wagner, Benlian and Hess (2014) who both concluded that tiered models provide a longer reach in terms of willingness-to-pay that a business can serve, and with Johnson, Christensen and Kagermann (2008), who suggested that pricing flexibility is a long term competitive differentiator. There is one tension with the price quality signalling theory proposed by Monroe (1990) and that price reduction can lead to a signal of reduced quality. This study alleviates that tension by focusing on framing — lower cost levels are more frameable as calibrated offerings for use at different intensities, rather than offerings that are “cut-rate” versions of the main product — and by materially proving that differs in how customers perceive it, as McKinsey and Company (2023) did.

5.3.3 Recommendation Three: Communicate price changes transparently and in advance.

This research discovered that the way in which price changes are conveyed has a stronger impact on customer perceptions than the change to the price. This follows that of Monroe (1990) on price communication and quality signalling, as well as Xia, Monroe and Cox (2004) which indicates that the perceptions of price unfairness evoke strong negative emotions that can lead to cancellation regardless of financial status, and Oliver (1999) who illustrated that when there is an increase in price without explanation, it causes a decrease in satisfaction, commitment, and trust at the same time. The practical impact was confirmed by McKinsey and Company (2023): organisations that gave advance warning of price increases, accepted customers' financial constraints and communicated the rationale behind the price increase in terms of the investment required to maintain the service kept

a much higher proportion of customers than organisations that communicated the increases only in terms of billing notifications. This recommendation is one of the most widely-supported from the literature reviewed. However, transparent communication is a key but not an adequate prerequisite as consumers scrutinize the value-for-money during difficult times and will not be loyal if the value proposition is not there.

5.3.4 Recommendation Four: Use Customer Analytics to Target At-Risk Customers

The results of this study showed that the most successful companies in handling the crisis were those that could recognise those who might be likely to cancel early and take targeted action. This is consistent with the findings of Reinartz and Kumar (2002) that retention investment focused on the high-value-at-risk customers yields significantly better results than undifferentiated programmes; and of Neslin et al. (2006) who have shown that early behavioural indicators – a reduced frequency of logon, declining usage, delayed payments – are powerful predictors of churn. The data from the FCA (2022) that more than 12 million UK adults felt in or at risk of financial difficulty suggests that there were large groups of at-risk adults in the pandemic and in theory these could be targeted by these indicators. One thing this study has in common with some previous research is the issue of implementation accessibility: While the majority of businesses have not yet established the analytical infrastructure needed for their operations, Papies and Clement (2008) warned that subscription behaviour data can be hard to interpret without advanced modelling. Therefore, the present study suggests a "two step" transformation process – from simple usage monitoring and behavioural segmentation to predictive churn modelling – instead of a one-step transformation.

5.4 Limitations

There are some caveats to be noted. Firstly, as a secondary study, the study will not create new primary data, and will rely upon the quality and completeness of published sources on which it is based. There is no academic research specifically for the UK that examines subscription pricing, therefore the analysis is heavily dependent on industry reports, which may have commercial agendas which cannot be discounted entirely (Bryman, 2016). Second, there is no direct input from UK subscription customers, no access to proprietary churn data and no firm-level

pricing records, limiting causal inference. Thirdly, the geographical and temporal boundaries (the UK 2021–2024) limit the extent to which the findings can be directly applied to other national settings or economies. Fourth, searches were made in English language only, and may not have retrieved all work that is relevant.

5.5 Areas of Future Research

This study has some constraints that suggest four directions for further research. The processes of primary empirical research (survey or interviews with UK subscription customers having cancelled, downgraded or retained subscriptions from 2021 to 2024) would provide the evidence directly and simplify the inference of the decision making processes described above from secondary sources. Second, with proprietary firm-level churn and pricing data, the second study would provide causal evidence for the efficacy of different strategies, while holding constant firm size, industry and analytics investment. Third, comparative research across the different segments of the subscription market, streaming, software as a service, lifestyle, would test the applicability of the generalised recommendations of this research in different contexts as suggested by Ingenbleek et al. (2003) that pricing strategy is highly context dependent. Fourthly, it would be important for scholars and business practitioners to investigate whether the value and price fairness attitudes which developed during the crisis remain after economic recovery, as Shama (1981) found that frugality norms persist beyond the crisis that creates them.

5.6 Concluding Remarks

This study has shown through systematic review and thematic synthesis of 22 sources that value perception was the key factor in deciding whether or not to subscribe during the cost of living crisis in the UK, rather than price level. Proactive divulgence of value, structural pricing flexibility, transparent communication of price changes, and investing in analytics to determine at-risk customers had a significant effect on retention results. These findings align with the theories developed by Zeithaml (1988), Monroe (1990), Anderson and Narus (1998), Oliver (1999) and Reichheld and Sasser (1990) and are supported in the context of crisis by Zuora (2023), McKinsey and Company (2023), Deloitte (2023) and Barclaycard (2022). The study contributes by bringing together this information in a unified discussion

of a phenomenon that had never been discussed in the peer-reviewed academic literature and by identifying these factors in terms of practical actions that could be taken by subscription businesses in future downturns. One key finding is that there's no retention problem during a crisis, it's a problem of perception and relationship management.

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7 APPENDICES

7.1 Appendix A: Full Source Inventory — All 22 Retained Sources

Appendix A: Complete Source Inventory (n=22)

#	Author(s) & Year	Type	Published	Database	Relevance to Study
1	Zeithaml (1988)	Academic	Jnl of Marketing	JSTOR / Google Scholar	Core theoretical framework — means- end value model
2	Monroe (1990)	Academic Book	McGraw- Hill	Google Scholar	Price-quality signalling theory
3	Anderson & Narus (1998)	Academic (HBR)	Harvard Business Review	Google Scholar	Customer value proposition framework
4	Oliver (1999)	Academic	Jnl of Marketing	JSTOR	Loyalty framework (satisfaction, commitment , trust)
5	Reichheld & Sasser (1990)	Academic (HBR)	Harvard Business Review	JSTOR	Retention economics — churn profitability link

6	Ang (2001)	Academic	International Business Review	Google Scholar	Consumer behaviour in economic downturns
7	Shama (1981)	Academic	Journal of Marketing	Google Scholar	Frugality norms during recessions
8	Gupta & Lehmann (2003)	Academic	Jnl of Interactive Marketing	Google Scholar	Customer lifetime value in subscriptions
9	Liozu & Hinterhuber (2013)	Academic	Management Decision	Google Scholar	VBP implementation barriers
10	Hinterhuber (2008)	Academic	Journal of Business Strategy	Google Scholar	Why companies resist VBP
11	Xia, Monroe & Cox (2004)	Academic	Journal of Marketing	Google Scholar	Price fairness perceptions framework
12	Johnson et al. (2008)	Academic (HBR)	Harvard Business Review	Google Scholar	Business model flexibility — tiered pricing

1 3	Kumar (2014)	Academic (HBR)	Harvard Business Review	Google Scholar	Freemium model dynamics
1 4	Reinartz & Kumar (2002)	Academic (HBR)	Harvard Business Review	JSTOR	ROI of targeted retention investment
1 5	Neslin et al. (2006)	Academic	Jnl of Service Research	Google Scholar	Churn prediction — behavioural indicators
1 6	ONS (2022)	Government	UK Governme nt	gov.uk / Google	UK inflation peak 11.1% — Oct 2022
1 7	ONS (2023)	Government	UK Governme nt	gov.uk / Google	Household income falls — real wages data
1 8	FCA (2022)	Government/R eg.	FCA	fca.org.uk / Google	12m+ UK adults in financial difficulty
1 9	Citizens Advice (2023)	Government	Citizens Advice	citizensadvice.or g.uk	Subscription cancellation surge data
2 0	Zuora (2023)	Industry	Zuora Inc.	zuora.com / Google	Churn rate data — 6% to 9% rise

2 1	McKinsey & Company (2023)	Industry	McKinsey & Co.	mckinsey.com / Google	Value perception as #1 retention driver
2 2	Deloitte (2023)	Industry	Deloitte UK	deloitte.com / Google	Pause options — retention evidence

7.2 Appendix B: Inclusion and Exclusion Criteria Applied During Source Selection

Appendix B: Inclusion and Exclusion Criteria Applied to Source Selection

Criterion Type	Criterion	Rationale
INCLUSION	Published 2000–2024 (academic); pre-2000 foundational texts permitted	Ensures currency while allowing seminal theory (Zeithaml, 1988; Monroe, 1990)
INCLUSION	Directly relevant to ≥ 1 research objective	Maintains analytical focus across four research questions
INCLUSION	Full text available in English	Enables thorough quality assessment and analysis
INCLUSION	Peer-reviewed journal article, book chapter, or HBR article (academic sources)	Ensures methodological rigour and credibility

INCLUSION	Official UK government or regulatory body publication	Provides authoritative empirical context for crisis period
INCLUSION	Industry report from major consultancy stating methodology clearly	Ensures minimum data quality for market-level evidence
EXCLUSION	Pricing/subscription studies with no UK relevance and no transferability discussion	Avoids contextual mismatch in evidence base
EXCLUSION	Industry sources without stated sample size or method	Maintains minimum data quality standard
EXCLUSION	Blog posts, opinion pieces, and newspaper articles	Insufficient methodological transparency
EXCLUSION	Duplicate sources (original preferred over secondary citation)	Avoids double-counting evidence weight

7.3 Appendix C: Thematic Coding Summary — 47 Initial Codes Mapped to Four Themes

Appendix C: Representative Thematic Coding Summary (Selected from 47 Initial Codes)

Code #	Code Type	Initial Code	Theme Assigned
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C01	Descriptive	UK churn rates grew from ~6% to ~9% between 2020 and 2022 (Zuora, 2023)	Theme 3: VBP Strategies & Retention
C02	Descriptive	60% of UK consumers actively reviewed subscriptions by mid-2022 (Barclaycard, 2022)	Theme 2: Consumer Value Perceptions
C03	Descriptive	UK inflation reached 11.1% in October 2022 — highest in 41 years (ONS, 2022)	Theme 2: Consumer Value Perceptions
C04	Descriptive	12m+ UK adults in or at risk of financial difficulty by mid-2022 (FCA, 2022)	Theme 2: Consumer Value Perceptions
C05	Descriptive	Pause option providers retained significant cohort of would-be churners (Deloitte, 2023)	Theme 3 & Theme 4: Strategy
C06	Descriptive	~50% of churned subscribers would return for lower-cost tier or discount (Barclaycard, 2022)	Theme 3 & Theme 4: Strategy

C07	Interpretive	Value perception is relational, not absolute — shifts as customer circumstances change (Zeithaml, 1988)	Theme 1: VBP Conceptual Foundations
C08	Interpretive	Price as quality signal — reducing prices risks undermining perceived value (Monroe, 1990)	Theme 1: VBP Conceptual Foundations
C09	Interpretive	Pricing flexibility as structural retention mechanism (Johnson et al., 2008; Deloitte, 2023)	Theme 4: Retention Strategies
C10	Interpretive	Frugality as socially sanctioned behaviour — extends risk beyond financially constrained (Shama, 1981)	Theme 2: Consumer Value Perceptions
C11	Interpretive	Pause options convert permanent cancellations to temporary	Theme 4: Retention Strategies

		suspensions (Deloitte, 2023)	
C12	Interpretive	Value delivered but not communicated is commercially wasted (Anderson & Narus, 1998)	Theme 4: Retention Strategies
C13	Interpretive	Unexpected price increase erodes satisfaction, commitment and trust simultaneously (Oliver, 1999)	Theme 2: Consumer Value Perceptions
C14	Interpretive	VBP implementation gap — smaller platforms lack analytics infrastructure (Liozu & Hinterhuber, 2013)	Theme 1: VBP Operational Challenges
C15	Interpretive	Tiered architecture as resource-based competitive advantage (Barney, 1991; Johnson et al., 2008)	Theme 1 & Theme 4

7.4 Appendix D: UK Subscription Market Context — Key Statistics Summary

Appendix D: Key UK Subscription Market and Economic Statistics 2021–2024

Metric	Value	Date / Period	Source
UK CPI Inflation Peak	11.1%	October 2022	ONS (2022)
Bank of England Base Rate (low to high)	0.1% → 4.0%	Dec 2021 – Feb 2023	Bank of England (2023)
UK adults in/at risk of financial difficulty	12 million+	Mid-2022	FCA (2022)
Real wages: consecutive quarterly falls	13 quarters	2021–2023	ONS (2023)
Average UK household subscription count (pre-crisis)	3 paid services	2021	Barclaycard (2022)
Subscription market annual growth (pre-crisis)	30%+ per year	Pre-2021	Barclaycard (2022)
UK consumers reviewing subscriptions	60%	2022	Barclaycard (2022)

Industry average subscription churn (pre-crisis)	~6%	2020	Zuora (2023)
Industry average subscription churn (peak crisis)	~9%	Mid-2022	Zuora (2023)
Churned subscribers willing to return (lower tier)	~50%	2022	Barclaycard (2022)
Value perception as retention driver (vs price level)	Primary driver	2022–2023	McKinsey & Company (2023)
Surge in subscription cancellation enquiries to Citizens Advice	Significant	2023	Citizens Advice (2023)