

EXPLORING SUBSCRIPTION-BASED BUSINESS MODELS IN ISLAMIC DIGITAL SERVICES: PROFITABILITY AND CUSTOMER RETENTION

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Abstract: *The development of Islamic digital services has encouraged various innovations in business models, one of which is the subscription-based business model. This model is considered capable of providing more stable revenue while also fostering long-term relationships with customers. However, in the context of Islamic business, profit sustainability is not solely measured by financial gains, but also by compliance with Sharia principles, justice, and social welfare (maslahah). This study aims to explore the implementation of subscription-based business models in Islamic digital services and to analyze their influence on profitability and customer retention. The study employs a qualitative approach using a case study method involving several Islamic digital service providers. Data were collected through in-depth interviews, platform observations, and documentation. The findings indicate that the subscription model contributes to cash flow stability and enhances customer loyalty through value-driven content, continuous service delivery, and ethical communication. The main challenges include maintaining Sharia compliance in payment systems and sustaining service quality. This study contributes to the development of sustainable and ethical Islamic digital business models.*

Keywords: *Subscription-Based Business Model, Islamic Digital Services, Profitability, Customer Retention, Sharia-Compliant Business.*

Introduction

Digital transformation has changed the way business actors offer products and services to consumers. In the Islamic economic sector, digitalization has driven the growth of various Islamic digital services, such as Qur'an learning platforms, donation and zakat applications, and app-based da'wah content. One of the business models widely adopted in these services is the subscription-based model, in which customers pay periodic fees to gain access to the provided services.

The subscription-based business model is considered to have more stable revenue potential compared to one-time transaction models. Moreover, this model requires service providers to build and maintain long-term relationships with customers, making customer retention a critical factor. From the perspective of Islamic business, business sustainability is not solely dependent on achieving financial profit, but must also consider values of justice, transparency, and social benefit for the wider community.

Therefore, this study is important to understand how Islamic digital service providers implement subscription-based business models, how they interpret the concept of profitability from a Sharia perspective, and what strategies are used to maintain customer retention. The findings of this study are expected to serve as a reference for the development of sustainable Islamic digital businesses that are aligned with Sharia principles. From the Islamic business perspective, the objective of business activities is not merely to obtain financial profit, but also to

achieve blessings (barakah), justice, and social welfare (maslahah) for all parties involved. Consequently, profitability in Islamic business must be attained through halal and transparent practices and must not involve elements of riba (usury), gharar (uncertainty), or practices that harm consumers. This creates particular challenges for Islamic digital service providers in designing payment systems, pricing policies, and service mechanisms that comply with Sharia principles.

Furthermore, increasingly intense competition in the digital services industry requires businesses to continuously innovate in offering added value to customers. The abundance of free and paid service alternatives provides customers with many choices, making customer loyalty more difficult to maintain. This condition compels service providers to focus not only on technical and marketing aspects, but also on building emotional relationships and trust with customers through ethical and value-oriented approaches. Therefore, this study also aims to identify the challenges faced in implementing subscription-based business models, whether from operational, technological, or Sharia compliance perspectives. The results are expected to provide useful insights for business practitioners, academics, and stakeholders in developing Islamic digital businesses that are sustainable, competitive, and consistent with Islamic values.

Literature Review

A subscription-based business model is a model in which customers pay periodic fees to gain access to products or services provided by a company (Osterwalder & Pigneur, 2010). This model emphasizes the importance of long-term relationships between service providers and customers, making business sustainability highly dependent on a company's ability to maintain customer satisfaction and loyalty. In this model, companies do not only focus on initial sales but also on the continuous value delivered to customers throughout the subscription period.

Profitability in Sharia-based business is understood as profit obtained through lawful (halal), fair, and non-exploitative means (Antonio, 2011). Profit must be accompanied by blessings (barakah) and social responsibility, and must not involve elements of riba (usury), gharar (excessive uncertainty), or unethical business practices. Therefore, achieving profit in Islamic business cannot be separated from compliance with Sharia principles and a strong commitment to social welfare.

Customer retention refers to a company's ability to maintain long-term relationships with customers through high service quality, customer satisfaction, and trust (Kotler & Keller, 2016). Satisfied customers are more likely to make repeat purchases, extend their subscription periods, and recommend the service to others. In the context of Islamic digital services, customer retention is also influenced by alignment with religious values, ethical service practices, and perceptions of the halal status and social benefits of the services provided.

Several previous studies indicate that the implementation of subscription-based business models can enhance revenue stability and strengthen customer loyalty. However, the success of this model heavily depends on consistent service quality, regular content updates, and the company's ability to adapt to changing customer needs and preferences. Without continuous innovation, customers are likely to cancel their subscriptions and switch to alternative services that are perceived as more relevant and valuable.

Therefore, implementing subscription-based business models in Islamic digital services requires integrated strategies that combine business, technological, and Sharia value aspects. Service providers must be capable of managing long-term customer relationships, ensuring transparency in contractual agreements and payment systems, and continuously improving service quality in order to maintain customer trust and loyalty over time.

Method

This study employs a qualitative approach using a case study method. The research subjects are Islamic digital service providers that implement subscription systems in their business operations. Informants were selected using purposive sampling based on specific criteria, such as having experience in managing Islamic digital services and being directly involved in business decision-making processes.

Data collection techniques include in-depth interviews with informants, observations of the digital service platforms used, and documentation in the form of subscription package information, payment policies, and promotional materials published to customers. The use of multiple data collection methods aims to obtain a more comprehensive understanding of the implementation of the subscription-based business model.

Data analysis was conducted using the interactive model proposed by Miles and Huberman, which consists of three stages: data reduction, data display, and conclusion drawing. During the data reduction stage, the researcher selected and focused on data relevant to the research objectives. The data were then presented in a systematic narrative form to facilitate interpretation. The final stage involved drawing conclusions based on patterns and findings that emerged from the analyzed data.

Data validity was ensured through source triangulation and method triangulation by comparing data obtained from interviews, observations, and documentation. In addition, member checking was conducted by confirming the interview results with the informants to ensure that the data accurately reflected actual conditions.

Result and Discussion

The results of this study indicate that the implementation of subscription-based business models in Islamic digital services contributes significantly to business sustainability, both in terms of profitability and customer retention. This model enables service providers to build long-term relationships with customers and to create more stable revenue patterns compared to one-time transaction models.

A. Revenue Stability and Business Sustainability

One of the main findings of this study is that the subscription system provides more stable cash flow for Islamic digital service providers. Regular periodic income helps business actors conduct financial planning, such as allocating budgets for content development, improving technological quality, and covering daily operational costs. This stability is particularly important for small and medium-sized enterprises that have limited capital and resources.

In addition, relatively predictable income allows business actors to develop medium- and long-term strategies. For example, they can plan the launch of new features, recruit professionals in technology or content development, and improve customer data security systems. Thus, the subscription model not only functions as a source of revenue but also serves as a foundation for more structured and sustainable business growth planning.

B. Profitability from a Sharia Business Perspective

In the context of Islamic business, profitability is not merely understood as achieving financial gains, but also as the result of business practices that comply with Sharia principles. Interview results indicate that business actors pay close attention to the halal status of income sources and transaction mechanisms. Payment systems are designed to avoid elements of *riba* (usury), *gharar* (excessive uncertainty), and deceptive practices that could harm

consumers. Subscription pricing is determined by considering a balance between customers' purchasing power and the need to cover operational costs. Service providers strive to keep prices affordable without compromising service quality. This reflects an orientation toward fairness and social benefit, which are core values in Islamic business ethics.

Furthermore, several service providers allocate a portion of their profits to social activities, such as donation programs, Qur'an education scholarships, or support for da'wah initiatives. These practices strengthen the understanding of profit as a means to achieve social welfare (maslahah), rather than merely serving the economic interests of the company.

C. Customer Retention Strategies in Islamic Digital Services

Customer retention is a key factor in the success of subscription-based business models. The findings indicate that service providers implement various strategies to maintain long-term customer subscriptions. The primary strategy is the provision of exclusive content that offers added value compared to free services. The content provided includes structured learning materials, high-quality educational videos, and interactive features that facilitate user access to services. Regular content updates are also implemented to prevent customer fatigue. Innovation is a crucial element to ensure that customers perceive the paid services as continuously improving and relevant to their needs. In addition to content quality, customer service is another major focus. Service providers offer accessible communication channels, such as in-app messaging features and social media platforms, to accommodate customer inquiries and complaints. Prompt responses and satisfactory solutions play a significant role in enhancing customer satisfaction and loyalty.

D. The Role of Trust and Religious Values in Customer Loyalty

Customer trust in Islamic digital services is strongly influenced by the consistency of service providers in upholding Islamic values. Customers tend to be more loyal to services perceived as honest, transparent, and not misleading in their promotions. Clear information regarding service benefits, payment mechanisms, and refund policies is essential in building customer trust. Religious values also serve as a key differentiating factor between Islamic digital services and general digital platforms. Customers seek not only functional benefits but also spiritual benefits. Therefore, alignment of content with Islamic teachings, the credibility of instructors or speakers, and ethical methods of content delivery significantly affect customers' perceptions of service quality.

Emotional bonds formed through shared values and spiritual goals further strengthen customer loyalty. Customers who feel that the service contributes to improving their worship practices and religious understanding tend to develop stronger attachments and are more willing to maintain their subscriptions, even when alternative services are available.

E. Operational Challenges and Market Competition

Although subscription-based business models offer many advantages, service providers still face various challenges in their implementation. One of the main challenges is competition with free platforms that offer similar content without subscription fees. This situation makes some potential customers reluctant to subscribe, requiring service providers to clearly demonstrate the added value of paid services. Another challenge is the need for continuous technological innovation. Application development, data security improvements, and system maintenance require significant financial investment and skilled human resources. For small-scale businesses, limited funding and the lack of technical expertise become major obstacles in maintaining competitive service quality.

In addition, fluctuations in subscriber numbers pose risks in subscription-based models. Economic conditions, changes in user preferences, and the emergence of new competitors can all affect customer retention rates. Therefore, service providers must regularly evaluate their marketing strategies, service quality, and customer satisfaction to ensure long-term sustainability.

F. Implications for the Development of Islamic Digital Businesses

The findings of this study indicate that subscription-based business models have strong potential to support the sustainability of Islamic digital services, provided they are managed with appropriate strategies and in compliance with Sharia principles. Business actors need to balance profit orientation with social responsibility so that their businesses are not only financially sustainable but also generate positive social impact.

The adoption of technology must be accompanied by the strengthening of ethical values and transparency in business operations. In this way, Islamic digital services can become competitive and meaningful alternatives amid the rapid growth of the digital industry.

Conclusion

Based on the results and discussion, it can be concluded that subscription-based business models play an important role in supporting the sustainability of Islamic digital services. This model provides revenue stability through periodic payment systems, thereby assisting business actors in financial planning and in developing services in a more structured manner. In terms of profitability, Islamic digital service providers are not solely oriented toward achieving financial gains, but also emphasize compliance with Sharia principles. Fair pricing, transparency in payment systems, and the avoidance of *riba* and *gharar* are key factors in maintaining business integrity and customer trust. This indicates that profit in Islamic business is understood as a means to achieve social welfare (*maslahah*), rather than merely as an end goal.

Regarding customer retention, the strategies applied include providing high-quality and exclusive content, regularly updating features, and delivering responsive and communicative customer service. In addition, religious values and alignment with Islamic teachings further strengthen customer loyalty, as customers seek not only functional benefits but also spiritual benefits from the services they use. Nevertheless, business actors still face various challenges, such as competition with free platforms, the need for continuous technological innovation, and limited resources for system and content development. Therefore, adaptive strategies, collaboration with various stakeholders, and more optimal utilization of technology are required to ensure that Islamic digital services can continue to grow and compete in the digital industry.

Overall, this study demonstrates that the application of subscription-based business models in Islamic digital services has significant potential to create sustainable, ethical, and socially valuable businesses. These findings are expected to serve as a reference for business practitioners, academics, and policymakers in strengthening and developing a more competitive Islamic digital business ecosystem.

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