

Partnerships as Retention Levers: A Study of Credit Card–Entertainment Collaborations

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ABSTRACT

In mature, competitive sectors such as financial services and media and entertainment, customer loyalty is increasingly difficult to sustain. This thesis explores the emergence of cross-industry partnerships, specifically between credit card issuers and digital entertainment platforms, as a strategic response to rising churn and declining differentiation. Through a case study of the American Express Digital Entertainment Credit, the research examines how lifestyle-aligned benefits can foster deeper behavioral engagement, reduce switching, and enhance customer lifetime value. The thesis situates these partnerships within the broader evolution of loyalty strategies, marked by hyper-personalization, subscription fatigue, and platform convergence. Findings suggest that flexible, recurring rewards embedded in consumers' daily routines offer a path to durable retention, especially among younger, digital-native cohorts. The study concludes that such partnerships are not peripheral marketing tools but increasingly core to competitive strategy in commoditized markets.

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Introduction:

In an increasingly saturated consumer landscape, traditional loyalty levers such as cashback and generic rewards are proving inadequate in securing long-term customer engagement. Across industries, companies are being pushed to find new ways to retain users whose expectations for relevance, personalization, and daily utility continue to rise. Two sectors that at first glance may seem unrelated, the credit card industry and the media and entertainment (M&E) industry, are in fact converging around a common strategic imperative: reducing churn. Despite their structural differences, both sectors are exposed to high competitive intensity, low switching costs, and a growing need to embed value directly into users' day-to-day lives.

Credit card issuers, long reliant on transactional incentives and co-branded partnerships, are facing pressure from fintech disruptors and evolving consumer behavior. Meanwhile, streaming platforms are grappling with subscription fatigue and the cyclical turnover of users who join, cancel, and rejoin based on content offerings and price sensitivity. These conditions have created fertile ground for cross-industry collaborations designed not just to acquire customers, but to retain them in the long term.

This thesis explores the strategic use of cross-industry partnerships as retention levers, focusing on the American Express Digital Entertainment Credit. This initiative provides cardholders with monthly statement credits for select digital content subscriptions, offering both tangible savings to consumers and recurring engagement for entertainment partners. By embedding entertainment into a financial services product, the initiative enhances brand affinity, builds behavioral stickiness, and shifts the role of the credit card from a passive payment method to an active enabler of lifestyle value.

Through the case study and adjacent examples, this thesis examines how integrated rewards systems can address the loyalty challenges shared across these two industries. The findings offer strategic insight into the future of customer retention strategies in an era of hyper-personalization and platform convergence.

The North American Credit Card Industry Today:

The credit card industry remains a core pillar of the American consumer economy, demonstrating steady growth and increasing integration into daily financial activity, while adapting to evolving consumer behaviors and digital payment trends. By the end of 2025, credit card penetration is projected to reach 67.3%, with further growth anticipated to 68.44% by 2029, marking seven consecutive years of expansion.¹ This upward trajectory aligns with the overall strength of the North American credit card market, which reached \$1.26 trillion in 2023 and is forecast to grow to \$1.46 trillion by 2028, reflecting a compound annual growth rate of 2.9%.²

This sustained growth reflects the adaptability of the credit card industry in addressing evolving consumer needs. Transaction volumes increased by 8% in 2023, reaching 66.4 billion transactions, driven by the rising reliance on credit cards for e-commerce purchases, essential expenditures, and discretionary spending.³ Industry forecasts project total U.S. credit card transaction value to reach \$3.8 trillion by the end of 2025, indicating continued robust growth.⁴ Credit cards now account for roughly 31% of all U.S. payment transactions, underscoring their

¹ Statista. (2024, December 2). Penetration rate of credit cards in the United States from 2014 to 2029 [Data set].

<https://www.statista.com/forecasts/1149798/credit-card-penetration-forecast-in-the-united-states>

² MarketLine. (2024). Credit cards in North America: Industry profile [Industry profile]. MarketLine Advantage.

³ Ibid.

⁴ Feger, A. (2024, April 2). Credit cards are the most popular payment method in the U.S. eMarketer. <https://content-na1.emarketer.com/credit-cards-most-popular-payment-method-us>

role as a cornerstone of consumer payments.⁵ The increasing penetration rate highlights the deepening integration of credit cards into daily financial activities, as issuers expand their reach to untapped demographic segments. To capture these remaining market opportunities, issuers are implementing strategies focused on differentiation and engagement. These include integrating reward programs tailored to lifestyle preferences, enhancing digital payment capabilities, and forming strategic partnerships with retailers, entertainment providers, and other industries. Such efforts aim not only to attract new cardholders, but also to deepen loyalty and increase transaction frequency among existing users.

Macroeconomic factors are further driving this expansion. Rising disposable incomes and financial inclusion initiatives are enabling more consumers to qualify for credit, while technological advancements, such as mobile and contactless payment systems, are enhancing the appeal of credit cards as a secure and convenient payment method. Additionally, issuers are innovating to address changing consumer preferences, offering flexible repayment options, fraud protection, and experiential rewards that align with modern lifestyles.

The U.S. market's penetration growth also signals increased competition as issuers vie for the remaining untapped segments of the population. This competitive landscape underscores the importance of innovation, as established players and emerging fintech disruptors alike seek to enhance their value propositions. The success of credit cards as a financial product lies in their ability to evolve alongside consumer expectations while maintaining their role as a cornerstone of the North American economy.

⁵ Cubides, E., & O'Brien, S. (2023, May 5). 2023 findings from the Diary of Consumer Payment Choice [Report]. Federal Reserve Bank of San Francisco. <https://www.frbsf.org/wp-content/uploads/2023-Findings-from-the-Diary-of-Consumer-Payment-Choice.pdf>

The Competitive Advantage of Established Issuers

The competitive landscape of the North American credit card industry is characterized by intense rivalry among established financial institutions, exacerbated by the growing presence of fintech disruptors. Traditional players such as Visa, Mastercard, American Express, JPMorgan Chase, Bank of America, and Citigroup dominate the market, leveraging decades of customer trust, extensive infrastructure, and strong brand recognition to maintain their positions. These firms rely on a mix of strategies, including robust rewards programs, co-branded partnerships, and advanced customer service, to attract and retain cardholders in a highly competitive environment. However, the emergence of innovative fintech companies, combined with low switching costs for consumers, has intensified the need for continuous differentiation and innovation among all players in the sector.⁶

Traditional credit card issuers have developed distinct strategies to create value beyond offering credit lines, enabling them to remain competitive in a crowded market. American Express targets affluent customers by offering premium benefits, including travel perks, concierge services, and partnerships with luxury brands, positioning itself as a provider of lifestyle-oriented financial products. This strategy ensures Amex appeals to high-spending individuals who seek value-added services. JPMorgan Chase has focused on co-branded credit cards, such as its partnership with IHG Hotels, to deliver targeted travel rewards. These collaborations tie spending directly to customer interests, driving loyalty and increasing card usage among frequent travelers. Bank of America and Citigroup, meanwhile, prioritize flexibility, exemplified by offerings like Citi Flex Pay, which allows cardholders to convert large purchases into structured

⁶ MarketLine. (2024). Credit cards in North America: Industry profile [Industry profile]. MarketLine Advantage.

monthly payments without accruing interest. This approach addresses consumer demand for budget-friendly repayment options, enhancing the practicality of their credit products. Each of these strategies reflects a calculated effort to align offerings with specific customer needs, whether through exclusivity, tailored rewards, or financial flexibility. By differentiating their value propositions, traditional issuers retain competitiveness and ensure continued relevance in a dynamic and evolving market.

The Rise of Fintech Disruptors

The rise of fintech disruptors such as Klarna, Affirm, and Revolut has reshaped the credit card industry by introducing innovative payment models that respond more rapidly and flexibly to evolving consumer preferences. These companies differentiate themselves through digital-first financial solutions that prioritize simplicity, adaptability, and transparency. Klarna's buy-now-pay-later (BNPL) model, for instance, allows consumers to split purchases into interest-free installments, offering a predictable, low-friction alternative to traditional credit card debt. Similarly, Affirm integrates directly with e-commerce platforms, offering flexible payment options that align with the growth of online shopping. As of 2024, BNPL usage had grown to an estimated 93.3 million U.S. users, nearly a quarter of the population, with total spending projected to reach \$80.7 billion.⁷ This growth is particularly strong among younger consumers and those with lower credit limits, who often see BNPL as a more accessible or safer alternative to revolving credit.

These platforms have moved from niche offerings to mainstream financial tools, valued for their transparency (no surprise fees), straightforward user experience, and tight integration with digital

⁷ Feger, A. (2024, April 2). Credit cards are the most popular payment method in the U.S. eMarketer. <https://content-na1.emarketer.com/credit-cards-most-popular-payment-method-us>

retail. A 2025 PYMNTS report described BNPL as a “permanent fixture” in how consumers shop and pay.⁸ Notably, 39% of BNPL users indicated they would have used a credit card if BNPL were not available, which provides clear evidence of real cannibalization of credit card transaction volume.⁹ Some McKinsey projections suggest that if left unaddressed, BNPL could erode up to 15% of incremental profits for traditional card issuers by 2025.¹⁰

In response, traditional issuers have adopted a mix of defensive and adaptive strategies. Many banks have launched installment-plan features on existing cards, such as Citi Flex Pay, Amex Plan It, and Chase My Plan, to replicate BNPL’s flexibility while retaining customers within their ecosystems. Others, like First National Bank of Omaha and Citizens Bank, have introduced white-label BNPL products for merchant checkout, directly competing with fintech providers. Some large incumbents have even acquired or partnered with BNPL startups, such as Goldman Sachs’s acquisition of GreenSky, while card networks like Mastercard and Visa have developed APIs to support BNPL integration at checkout.

Beyond new repayment models, traditional issuers are also investing in broader digital transformation. This includes upgraded mobile app functionality, real-time transaction notifications, AI-driven personalization, and seamless integration with digital wallets like Apple Pay and Google Wallet. These improvements aim to preserve “top-of-wallet” status and maintain relevance among increasingly digital-native users. The convergence is clear: fintechs are

⁸ PYMNTS. (2025, April 8). Beyond credit cards: How “pay later” momentum is reshaping the payments ecosystem. <https://www.pymnts.com/bnpl/2025/beyond-credit-cards-how-pay-later-momentum-is-reshaping-the-payments-ecosystem/>

⁹ Garg, A., Goldshtein, D., Kaura, U., & Varadarajan, R. (2022, June 23). Reinventing credit cards: Responses to new lending models in the U.S. McKinsey & Company. <https://www.mckinsey.com/industries/financial-services/our-insights/reinventing-credit-cards-responses-to-new-lending-models-in-the-us>

¹⁰ Ibid.

introducing branded credit cards, while traditional issuers are incorporating installment plans and more transparent user experiences.

The competitive dynamic now centers on who can deliver the most flexible, personalized, and seamless financing experience. In this environment, credit card issuers must move quickly, not only to defend their share but to reimagine what credit products should look like in a market where younger consumers are redefining norms around borrowing and payment.

Key Competitive Dynamics in Consumer Payments

The North American credit card market is defined by intense rivalry among issuers, shaped by a set of structural and behavioral factors that elevate competitive pressure. A large number of players, low barriers to entry, and minimal switching costs combine to create a saturated environment where customer loyalty is difficult to maintain and differentiation is hard to achieve.

Low switching costs are a key driver of this dynamic. The average American holds 3.9 credit cards, enabling them to shift spending easily if a more attractive offer emerges.¹¹ Opening or closing a card typically incurs no monetary cost beyond annual fees, which are often waived or offset through rewards. With online comparison tools and pre-approval platforms widely available, consumers can evaluate and switch between card products with minimal effort. This climate of fluid loyalty places issuers in a perpetual battle for top-of-wallet status. Even satisfied customers are at risk of being poached through rich sign-up bonuses, limited-time offers, or better cash back programs.

¹¹ Lane, M. (2024, February 14). How many credit cards does the average American have? Experian. <https://www.experian.com/blogs/ask-experian/average-number-of-credit-cards-a-person-has/>

Consumers are also increasingly enrolled in multiple loyalty programs. In the U.S., the average consumer participates in over 15 programs across industries, which dilutes their engagement with any one brand.¹² This saturation extends to credit cards, with users frequently juggling several reward cards for different categories. Younger consumers are especially quick to open new cards if perks align more with their preferences, contributing to elevated churn rates. A J.D. Power report from 2024 found that although overall credit card satisfaction remained flat, a segment of financially stressed cardholders was actively seeking lower fees and better cashback rates.¹³

In this environment, issuers must compete not just on core financial terms but also on branding, experience, and ecosystem. The perception of credit cards as undifferentiated financial products further intensifies competition. With many offerings appearing similar, issuers rely heavily on co-branded partnerships, exclusive rewards, and user experience design to influence consumer decisions. The credit card space has increasingly become commoditized, with basic features such as fraud protection, zero liability, and standard points programs now expected across the board. As one industry report puts it, credit cards have become a “zero-sum game” in which issuers escalate spending to offer essentially the same value proposition.¹⁴

This commoditization has driven issuers to focus on soft factors. For instance, Capital One has launched cafes and lounges to enhance brand identity, while American Express emphasizes

¹² Crouch, E., Eppler, B., Taylor, L., Mühlenbein, C., & Hearne, E. (2024, December 9). Loyalty programs are growing—so are customer expectations [Report]. Boston Consulting Group.

<https://www.bcg.com/publications/2024/loyalty-programs-customer-expectations-growing>

¹³ J.D. Power. (2024, August 15). Show me the money! Cashback and value credit cards grow in popularity as financial health of cardholders declines [Press release]. Business Wire.

<https://www.businesswire.com/news/home/20240815936809/en/Show-Me-the-Money-Cashback-and-Value-Credit-Cards-Grow-in-Popularity-as-Financial-Health-of-Cardholders-Declines-J.D.-Power-Finds>

¹⁴ Singh, G. (2025, March 20). Transaction-level personalization: The end of credit-card commoditization. Zeta.

<https://www.zeta.tech/us/resources/blog/transaction-level-personalization-the-end-of-credit-card-commoditization/>

concierge services and exclusive events. These are deliberate attempts to de-commoditize by creating experiences that are harder for competitors to replicate. A BCG analysis of loyalty programs also finds that as program availability increases, customer expectations rise in parallel, requiring firms to innovate beyond basic features.¹⁵

The pressure is further compounded by the economic model of the credit card industry. Interchange fees, which fund most reward programs, are invisible to consumers but essential to issuer profitability. Any issuer attempting to scale back rewards or increase user fees risks losing customers to competitors who do not. This means most issuers must price similarly, with comparable APR ranges, fee structures, and reward yields for a given customer segment. The result is intensified competition on promotional offers, particularly sign-up bonuses, which can be costly and short-lived in their impact.

These pressures have eroded margins. Net interest income is under strain due to a slight decline in revolving balances, while volatility in repayment behavior and rising funding costs compress spreads. Charge-off rates are also normalizing upward from historic lows. In 2022, issuers paid over \$28 billion to cardholders in co-brand reward partner payments, illustrating the financial burden of competing on perks.¹⁶ Many consumers game the system by opening cards to collect sign-up bonuses before moving on.

This difficult landscape has led to market concentration. A few large banks, including Chase, Citi, Amex, Capital One, and Bank of America, dominate issuance, collectively controlling the

¹⁵ Crouch, E., Eppler, B., Taylor, L., Mühlenbein, C., & Hearne, E. (2024, December 9). Loyalty programs are growing—so are customer expectations [Report]. Boston Consulting Group. <https://www.bcg.com/publications/2024/loyalty-programs-customer-expectations-growing>

¹⁶ Bratton, J. (2024, September 5). Big companies keep shuttering their co-branded credit cards. Why? NerdWallet. <https://www.nerdwallet.com/article/credit-cards/big-companies-shuttering-branded-credit-cards>

majority of outstanding balances.¹⁷ These institutions benefit from scale, which allows them to absorb high reward costs and invest in digital infrastructure. For consumers, this results in broadly similar offerings from top issuers and makes switching both easy and often worthwhile.

Finally, regulatory constraints add to the competitive intensity. The Consumer Financial Protection Bureau's cap on late fees at \$8 has reduced a longstanding source of issuer revenue, prompting a search for alternative ways to sustain profitability.¹⁸ Meanwhile, the rise of fintech disruptors introduces new models that cater more directly to digital-first consumers, challenging incumbents to accelerate innovation.

In sum, the North American credit card market is highly commoditized and fiercely competitive, with low switching costs, standardized products, and escalating customer expectations. Loyalty is transient, and issuers must earn it continuously by delivering superior experiences, digital integration, and personalized value. Those unable to evolve risk losing relevance in a market where differentiation is both essential and elusive.

Evolving Expectations of Credit Card Users

In the rapidly evolving payments landscape, consumers have moved beyond one-size-fits-all rewards, seeking financial products that seamlessly align with their lifestyles and deliver tangible, everyday value. Traditional incentives such as cashback and travel points remain staples, but the bar for loyalty has risen. Increasingly, consumers look for rewards that reflect

¹⁷ MarketLine. (2024). Credit cards in North America: Industry profile [Industry profile]. MarketLine Advantage.

¹⁸ Ibid.

their individual preferences, including exclusive dining experiences, wellness perks, and co-branded benefits with retailers and service providers.¹⁹

At the same time, advances in technology have reshaped consumer expectations for speed and convenience. The integration of digital wallets such as Apple Pay and Google Wallet has transformed how users engage with their credit cards, enabling secure, frictionless, and instant payments across both e-commerce and physical retail. By 2023, over 60% of credit card transactions in North America were processed through digital wallets, reflecting a clear shift toward seamless payment experiences.²⁰ These features are no longer viewed as optional add-ons but as essential components of any modern financial product.

This demand for immediacy has also fueled widespread adoption of contactless payment technologies. Consumers now expect to complete transactions within seconds, whether by tapping a physical card or using a mobile device. These expectations are further reinforced by the rapid expansion of e-commerce. Credit cards remain the preferred method for online purchases, valued for their fraud protection, ease of use, and universal acceptance. As the U.S. e-commerce market approaches a projected \$2.6 trillion by 2028, consumers will increasingly favor credit products that combine security with full integration across digital channels.²¹

The desire for personalized and seamless experiences continues to influence credit card selection. Younger demographics, in particular, rely heavily on peer recommendations. A PYMNTS Intelligence survey found that one in three consumers learned about their current card from a friend or family member, and nearly three-quarters of those respondents considered that

¹⁹ MarketLine. (2024). Credit cards in North America: Industry profile [Industry profile]. MarketLine Advantage.

²⁰ Ibid.

²¹ Ibid.

recommendation a key factor in their decision.²² In response, issuers are launching referral programs and influencer campaigns designed to replicate the trust and authenticity of personal endorsements.

Issuers are also responding to rising expectations around customization. Consumers increasingly demand rewards that adapt to their behavior and spending patterns. Many modern credit cards now use AI and analytics to offer dynamic reward categories, real-time notifications, and tailored benefits that align with user lifestyles. At the same time, customer complaints about unclear or difficult-to-redeem rewards have surged, prompting regulators and consumers alike to push for greater transparency and usability in program design.

Altogether, these trends create significant pressure on credit card issuers to continuously innovate. Whether through app-based engagement, biometric authentication, or personalized incentives, issuers must deliver value that fits seamlessly into consumers' digital lives. Products that fall short on convenience, speed, or relevance risk being left behind in a marketplace where user expectations are advancing faster than ever.

American Express's Position in the Credit Card Ecosystem

American Express stands out in the credit card industry largely due to its distinctive brand strategy, which heavily emphasizes premium positioning and experiential value. Unlike many competitors, Amex's business model is built around a high-spending, affluent customer base, with significant investment directed toward maintaining this positioning through marketing and

²² Broadbent, G. (2024, December 23). Word-of-mouth marketing dominates credit-card acquisition. Insider Intelligence. <https://content-na1.emarketer.com/word-of-mouth-marketing-credit-card-acquisition>

brand partnerships. This approach is not only reflected in the products and services offered but also in the company's consistent prioritization of marketing expenditure as a key growth driver.

In 2022, American Express allocated over USD 10 billion to marketing and promotion, compared to USD 1.3 billion and USD 789 million spent by Visa and Mastercard, respectively.²³ This substantial investment underscores Amex's commitment to differentiating itself through brand visibility, premium rewards, and unique customer experiences. The company has been a pioneer in experiential marketing, offering its cardholders exclusive access to events, concerts, travel perks, and luxury retail partnerships. These initiatives go beyond conventional financial incentives, positioning Amex not merely as a payment provider but as a lifestyle enabler for its customers.

Central to this strategy is Amex's ability to build high-impact partnerships across industries, including travel, fashion, and entertainment. These collaborations are carefully crafted to align with the interests and spending behaviors of its target demographic. Through these partnerships, Amex offers customers unique opportunities and benefits that extend well beyond standard financial rewards, further enhancing the value proposition of holding an American Express card. This approach ensures that the brand remains relevant, aspirational, and deeply embedded in the lifestyles of its cardholders.

Amex's marketing strategy is also characterized by its adaptation to digital platforms and emerging trends. The company actively leverages social media campaigns and digital channels to engage younger customer segments and ensure its long-term relevance in an evolving market landscape. Initiatives such as the Shop Small campaign and collaborations with platforms like

²³ Euromonitor International. (2023, March 6). American Express Co in consumer finance (World): Global company profile [Company profile]. Passport.

TikTok demonstrate Amex’s agility in adopting modern marketing tools to stay connected with both existing and potential customers.²⁴

What distinguishes American Express in the competitive credit card industry is not only the scale of its marketing investment but also the strategic alignment between its brand promise and customer experience. By consistently investing in exclusive partnerships and premium rewards, Amex has positioned itself as a brand synonymous with value, status, and trust. This foundation not only reinforces its stronghold in the premium segment but also serves as a model for how financial services can extend beyond transactions to deliver meaningful, lasting customer relationships.

The North American Entertainment Industry Today

The North American media and entertainment industry plays a pivotal role in both consumer engagement and economic growth. While it has traditionally been described in broad terms such as “box office” and “music & video,” a more accurate and strategic segmentation reveals distinct sub-industries, each with unique revenue models, consumer behaviors, and growth trajectories. These include theatrical exhibition, home entertainment (physical and digital purchases/rentals), subscription-based streaming (SVOD), ad-supported streaming (AVOD and FAST), music (recorded and live), and gaming. Recognizing this segmentation is critical to understanding how the industry generates value and adapts to shifting demand.

Theatrical (Box Office/Cinema) remains a standalone in-person experience centered around feature films and ticket sales. While the pandemic caused major disruption, the segment has

²⁴ Euromonitor International. (2023, March 6). American Express Co in consumer finance (World): Global company profile [Company profile]. Passport.

rebounded, with global cinema revenues expected to surpass pre-pandemic levels by 2026.²⁵ Theatrical content continues to drive cultural moments and box office tentpoles. Its economics, however, are distinct in that high upfront costs and revenue sharing with exhibitors mean theatrical releases are often event-driven and rely on concentrated windows of consumer demand.

Home Entertainment (Physical and Digital Rentals/Purchases) covers one-time transactions such as DVD sales, Blu-ray, and digital downloads. While physical media has steadily declined, growth in this segment has been propelled by digital channels, as consumers increasingly choose to rent or purchase movies online for the convenience of instant access and platform flexibility. Unlike subscriptions, this model generates transactional revenue on a per-title basis, reflecting a persistent consumer demand for à la carte content ownership and viewing control.

Subscription-Based Streaming (SVOD) has become the industry's central growth engine. With platforms like Netflix, Disney+, and HBO Max, SVOD revenues are driven by recurring monthly payments, supporting binge-watching and original content strategies. In 2021, digital streaming made up 72% of combined theatrical and home entertainment spend, up from 46% in 2019.²⁶

Ad-Supported Streaming (AVOD/FAST) is one of the fastest-growing segments. AVOD platforms like Tubi and the ad-supported tiers of Netflix and Disney+ offer free or discounted content in exchange for viewing ads, while FAST services replicate linear TV formats. Adoption is widespread; by the end of 2023, nearly two-thirds of consumers in developed markets used at

²⁵ PricewaterhouseCoopers. (n.d.). Maximizing value for video streaming services [Insight brief]. EY. https://www.ey.com/en_gl/alliances/maximizing-value-for-video-streaming

²⁶ Motion Picture Association. (2022, March). 2021 THEME report: Theatrical & home-entertainment market environment [Report]. <https://www.motionpictures.org/wp-content/uploads/2022/03/MPA-2021-THEME-Report-FINAL.pdf>

least one AVOD platform.²⁷ Among Gen Z and Millennials, over 67% subscribe to FAST services, a rate higher than their usage of traditional pay TV.²⁸ These models allow platforms to reach more price-sensitive users while attracting advertiser dollars that are rapidly shifting away from linear TV.

The music industry is split into two robust segments: recorded and live. Streaming now accounts for 84% of U.S. recorded music revenue, with services like Spotify and Apple Music dominating.²⁹ U.S. recorded music hit \$17.1 billion in 2023, with over \$14 billion from streaming.³⁰ Meanwhile, live music has surged post-pandemic as global live revenue grew 26% in 2023 and now represents more than half of the total music market, driven by mega-tours from artists like Taylor Swift and Beyoncé.³¹ The bifurcation in music, between passive digital listening and immersive live events, offers diversified revenue streams.

Gaming stands as the largest segment of consumer entertainment spending. In 2023, U.S. video game expenditures reached \$57.2 billion, far surpassing box office revenues.³² While gaming is distinguished by its interactive and community-driven nature, it still competes with other

²⁷ Lee, P., Loucks, J., & Westcott, K. (2023). Everyone's watching: AVOD finds an increasingly receptive audience [Insight report]. Deloitte Insights. https://www2.deloitte.com/content/dam/insights/articles/gb175610_tmtp23-svod-avod/DI_TMTP23-SVOD-AVOD.pdf

²⁸ Deloitte. (2025, March 25). A competition for consumer attention: Are social platforms overtaking traditional studios in entertainment and advertising? <https://www2.deloitte.com/us/en/pages/about-deloitte/articles/press-releases/digital-media-trends-consumption-habits-survey.html>

²⁹ Recording Industry Association of America. (2023, September). RIAA mid-year 2023 revenue report [Report]. Recording Industry Association of America. <https://www.riaa.com/wp-content/uploads/2023/09/RIAA-Mid-Year-2023-Revenue-Report.pdf>

³⁰ Recording Industry Association of America. (2024, March 26). 2023 year-end music-industry revenue report [Report]. Recording Industry Association of America. <https://www.riaa.com/reports/2023-year-end-music-industry-revenue-report-riaa/>

³¹ PricewaterhouseCoopers. (2024, July 16). Perspectives: Global entertainment & media outlook 2024–2028. PwC.

<https://www.pwc.com/gx/en/issues/business-model-reinvention/outlook/insights-and-perspectives.html>

³² Entertainment Software Association. (2024, February 7). U.S. consumer video-game spending totaled \$57.2 billion in 2023 [Press release].

<https://www.theesa.com/u-s-consumer-video-game-spending-totaled-57-2-billion-in-2023/>

entertainment formats for consumer attention. With monetization models ranging from full game sales to microtransactions and subscriptions, gaming represents a dynamic pillar of the entertainment economy. Increasingly, media firms are incorporating gaming IPs and even launching their own titles, as seen in Netflix's push into mobile games.

In 2023, the broader North American movies and entertainment market was valued at \$22.1 billion, with projections of \$34.3 billion by 2028 at a compound annual growth rate (CAGR) of 9.2%.³³ This growth underscores the sector's resilience following a decline between 2018 and 2023, when revenues contracted to a negative CAGR of 3.6%.³⁴ The initial downturn was catalyzed by the rise of streaming, shifts in consumer behavior, and rapid technological change (e.g., smartphones and high-speed internet), which eroded traditional box office performance. However, the sector has since adapted by embracing hybrid models, platform diversification, and digital monetization strategies.

The current expansion reflects the success of this adaptation. Favorable demographic shifts, evolving consumption habits, and continued consumer willingness to spend on leisure support this outlook. According to GlobalData, recreation constituted a sizable portion of household spending in 2023, emphasizing robust demand for entertainment experiences, both physical and digital.³⁵

For stakeholders in this ecosystem, the new segmentation reveals actionable insights. Companies that tailor offerings to distinct consumption behaviors, whether by launching AVOD tiers, producing immersive theatrical content, or entering the gaming space, can better align with

³³ MarketLine. (2024, November 14). Movies & entertainment market in North America: Supply chain analysis [Industry profile]. MarketLine Advantage.

³⁴ Ibid.

³⁵ Ibid.

market trends. Furthermore, partnerships across adjacent industries, such as financial services and technology, have the potential to enable integrated consumer experiences, strengthen brand equity, and expand access to underserved market segments.

Ultimately, understanding the nuanced breakdown of the entertainment economy is essential for any firm looking to compete or collaborate in this space. It highlights not only where value is created, but how firms can evolve in tandem with changing consumer expectations.

The Competitive Landscape of Streaming Platforms

The media and entertainment industry is characterized by intense competition, driven by a mix of traditional production houses and emerging digital platforms, all vying for consumer attention, profitability, and market share. Major players such as Walt Disney Studios, Warner Bros. Discovery (WBD), Sony Pictures Entertainment, Comcast's Universal Pictures, and Paramount Global dominate the landscape through their vast resources, intellectual property portfolios, and extensive distribution networks.³⁶ However, the rise of digital-first platforms, particularly streaming giants like Netflix and Amazon Prime Video, has introduced new competition, reshaping how content is consumed and delivered.

The competitive landscape is shaped by a combination of traditional studios and emerging digital platforms. While traditional players rely on high-budget productions, franchise development, and established global distribution networks, companies like Netflix capitalize on their digital-first approach, producing and distributing original content directly to consumers via subscription-based streaming services. This shift has intensified competition, forcing incumbents

³⁶ MarketLine. (2024, November 14). Movies & entertainment market in North America: Supply chain analysis [Industry profile]. MarketLine Advantage.

to adapt by investing in their own streaming platforms, such as Disney+ and HBO Max, to counter the growing influence of digital disruptors.³⁷

Differentiation remains a key driver of competitiveness, with companies focusing on creating distinctive content, leveraging proprietary technologies, and engaging in strategic partnerships to capture market share. Intellectual property continues to play a pivotal role, as established franchises and recognizable brands attract audiences and generate consistent revenues. At the same time, streaming platforms like Netflix and Amazon Prime Video have reshaped consumer expectations, emphasizing convenience, personalization, and on-demand access, which has forced traditional studios to adopt hybrid models that combine theatrical releases with digital distribution.

Although the market is dominated by large incumbents, independent studios and smaller players contribute to its diversity by targeting niche audiences and leveraging digital distribution channels. However, these smaller entities face challenges in competing with the financial power and marketing capabilities of established giants, underscoring the highly consolidated nature of the industry.

Business Models and Economics of Streaming Services

The streaming service industry has undergone significant transformation, driven by direct-to-consumer (DTC) distribution models that challenge traditional content delivery mechanisms. Historically, the entertainment industry operated through a legacy windowing model, a tiered distribution system designed to maximize revenue by releasing films sequentially

³⁷ MarketLine. (2024, November 14). Movies & entertainment market in North America: Supply chain analysis [Industry profile]. MarketLine Advantage.

across distinct platforms. Under this model, movies debuted exclusively in theaters, followed by staggered releases on physical media like DVDs and Blu-rays, before eventually becoming available on cable, broadcast television, or digital platforms. Each "window" offered a specific revenue opportunity, allowing studios to optimize returns over time while maintaining clear boundaries between theatrical exhibitors, distributors, and end-users.

This long-established system began to unravel with the rise of streaming platforms like Netflix, which bypassed traditional intermediaries to offer content directly to consumers. In response to this disruption, established players strategically chose to launch their own platforms, leveraging extensive catalogs of intellectual property to remain competitive. Services like Disney+, Amazon Prime Video, and HBO Max intensified the competition in the DTC space, driving fierce rivalry for market share through substantial investments in exclusive licensing agreements and original content creation.³⁸ For example, while Netflix has maintained its dominance with a vast and diverse content library, Disney+ has rapidly gained ground by capitalizing on franchises such as Marvel, Star Wars, and Pixar, illustrating the growing importance of intellectual property in securing customer loyalty.

This shift to DTC models has also disrupted traditional theatrical release strategies. Studios like Warner Bros., Universal Pictures, and Paramount Pictures have experimented with simultaneous releases in theaters and on streaming platforms. Warner Bros.'s decision to release its entire 2021 film slate on HBO Max alongside theatrical showings exemplifies the tensions this approach has created within the industry. Filmmakers and theater owners have raised concerns about its impact on revenue sharing and profit margins, while successes like Universal Pictures' "Trolls World

³⁸ MarketLine. (2024, November 14). Movies & entertainment market in North America: Supply chain analysis [Industry profile]. MarketLine Advantage.

Tour" on premium video-on-demand (PVOD) highlight the potential for bypassing traditional cinema channels altogether.³⁹

This shift to streaming was further accelerated by the pandemic, which led to temporary theater closures and a surge in demand for at-home entertainment. Streaming platforms such as Netflix and Amazon Prime Video have emerged not only as distributors but also as content creators, producing original series and films that attract dedicated audiences. Substitution threats have intensified due to the low costs associated with switching platforms and the wide availability of competing services. Consumers can easily move between providers in search of preferred content or more affordable options, making customer retention a critical challenge for streaming platforms.

This evolution from the legacy windowing model to DTC strategies reflects the entertainment industry's adaptation to shifting consumer expectations and technological advancements, redefining how content is delivered, consumed, and monetized. However, this transformation has not come without challenges.

Subscription Fatigue and Its Impact on Retention

At the consumer level, rising subscription costs and fragmented content offerings have led to subscription fatigue, a growing challenge for streaming platforms. As more companies launch their own platforms and vertically integrate, consumers face higher cumulative costs to access desired content. This fragmentation has created a cycle where many consumers selectively subscribe to essential services while canceling others, contributing to increasing churn across the industry.

³⁹ MarketLine. (2024, November 14). Movies & entertainment market in North America: Supply chain analysis. MarketLine.

Surveys show that by 2023, 62% of U.S. streaming consumers reported feeling they had too many subscriptions, up sharply from 46% in 2020.⁴⁰ This rise reflects a mounting sense of overload among users. Notably, about one-third of these consumers say they have canceled at least one service directly due to this fatigue, indicating a clear behavioral link between subscription overload and elevated churn rates.⁴¹

This consumer sentiment is reinforced by data from Parks Associates, which reported that the annualized churn rate in the U.S. streaming market reached approximately 47% in 2023, indicating that nearly half of subscribers canceled a service within the year.⁴² The most common reason cited was the need to reduce household expenses, illustrating how subscription fatigue often manifests as cost-cutting behavior.⁴³ These findings highlight a critical dynamic: as consumers grow overwhelmed and financially stretched, they increasingly opt to simplify their digital commitments, driving instability for platforms that depend on recurring revenue.

Deloitte offers a similarly sobering picture, estimating the 2023 churn rate at 44%.⁴⁴ Though slightly lower, this still points to a fundamentally unstable environment for subscriber-based businesses. Simon-Kucher's Global Streaming Study adds further depth, revealing that 42% of American consumers feel overwhelmed by the number of subscriptions they manage, and nearly half plan to cancel at least one within the next year.⁴⁵ Many now subscribe only to access specific

⁴⁰ Commisso, D. (2023, August 16). One subscription too many – Video streaming reaches an inflection point as consumers report feeling “subscription fatigue”. CivicScience. <https://civicscience.com/one-subscription-too-many-video-streaming-reaches-an-inflection-point-as-consumers-report-feeling-subscription-fatigue/>

⁴¹ Ibid.

⁴² Satin, D. (2023, August 23). Subscription fatigue growing as churn rate hits 47%; price considerations most common reason. Parks Associates. <https://www.parksassociates.com/blogs/in-the-news/subscription-fatigue-growing-as-churn-rate-hits-47-price-considerations-most-common-reason>

⁴³ Ibid.

⁴⁴ Weprin, A. (2024). Streaming's next savior: Your grocery store. *Hollywood Reporter*, 430(30), 16.

⁴⁵ Simon-Kucher & Partners. (2024). The state of streaming services in the United States: Navigating subscription fatigue and driving retention [Report].

content and cancel once their viewing needs are met, further exacerbating retention challenges for streaming platforms.⁴⁶

Economic pressures have intensified these dynamics, with inflation and growing entertainment costs, such as cinema tickets, further stretching household budgets. In response, streaming platforms have begun implementing bundling strategies and ad-supported plans to improve customer retention and deliver greater perceived value. Bundles, in particular, allow platforms to combine multiple services at a discounted rate, appealing to cost-sensitive consumers. For example, Disney's ad-supported bundle, which includes Disney+, Hulu, and ESPN+ for \$14.99 per month, demonstrates how bundling can provide a cost-effective option while increasing customer loyalty.⁴⁷ Similarly, other bundles, such as the StreamSaver package featuring Netflix, Apple TV+, and Peacock, highlight how platforms are leveraging combined services to attract and retain users.⁴⁸

Research indicates that well-designed bundles can significantly improve subscriber retention by offering solutions that cater to diverse consumer needs. Bundles combining services such as movies, sports, and family-friendly content provide added value, reducing the likelihood of cancellations. However, these strategies require careful pricing models to avoid cannibalizing revenue from users who would otherwise subscribe at full price. For streaming platforms, this

<https://www.simon-kucher.com/en/insights/state-streaming-services-us-navigating-subscription-fatigue-and-driving-retention>

⁴⁶ Simon-Kucher & Partners. (2024). The state of streaming services in the United States: Navigating subscription fatigue and driving retention [Report].

<https://www.simon-kucher.com/en/insights/state-streaming-services-us-navigating-subscription-fatigue-and-driving-retention>

⁴⁷ Ibid.

⁴⁸ Ibid.

balancing act is critical as they attempt to maximize customer lifetime value while addressing the challenge of subscription fatigue.⁴⁹

As the streaming market continues to mature, bundling and ad-supported models are expected to play an increasingly important role in reducing churn and enhancing retention. At the same time, platforms must avoid the pitfalls of overly complex packages that replicate issues seen in traditional cable TV models. Agile and consumer-focused innovations will remain essential as platforms navigate shifting preferences and increasing competition from alternative forms of digital entertainment, such as social media and short-form video content. By addressing these challenges strategically, streaming platforms can better position themselves to capture long-term customer loyalty and engagement.

These developments set the stage for strategic partnerships between streaming platforms and complementary industries, such as financial services, to address overlapping challenges. By collaborating with credit card providers, streaming platforms can mitigate churn and enhance customer loyalty through integrated rewards and tailored incentives. Such partnerships capitalize on the shared goals of reducing acquisition costs and improving retention metrics, positioning them as essential strategies in a highly competitive and fragmented digital entertainment market.

The Shift from Subscriber Growth to Profitability

As the streaming industry evolves, platforms are increasingly shifting their focus from aggressive subscriber growth to sustainable profitability. This pivot has been driven by a mix of external pressures and internal recalibrations. The streaming boom of the pandemic era has

⁴⁹ Simon-Kucher & Partners. (2024). The state of streaming services in the United States: Navigating subscription fatigue and driving retention [Report]. <https://www.simon-kucher.com/en/insights/state-streaming-services-us-navigating-subscription-fatigue-and-driving-retention>

largely plateaued. In the United States, year-over-year subscriber growth fell to around 10% in 2023, down from over 20% in 2022.⁵⁰ This deceleration reflects a broader market saturation, as nearly 99% of U.S. households now subscribe to at least one streaming service.⁵¹ In this context, the industry's aggressive pursuit of user acquisition has revealed its financial fragility, with media companies collectively losing billions on their streaming divisions in recent years, making it clear that sheer subscriber volume is no longer a viable proxy for profitability.⁵²

Investors are now demanding viable business models, prompting a shift in strategy across the industry. Platforms are prioritizing retention and profitability over raw growth. Currently, only Netflix and Disney operate profitable streaming divisions, while most competitors remain in the red and face pressure to justify ongoing losses.⁵³ In response, streamers are adopting tactics rooted in the traditional pay-TV playbook, including the use of advertising, longer-term contracts, and bundled offerings.⁵⁴ These strategies are intended to stabilize revenues and boost average revenue per user. As an EY media analyst observed, the industry has “shifted from an acquisition-at-any-cost race to a user engagement and retention-driven competition,” with an emphasis on customer lifetime value.⁵⁵

Although the U.S. OTT market is maturing, it continues to present growth opportunities. Revenues are projected to rise from \$57 billion in 2022 to \$75.5 billion by 2027; however, the

⁵⁰ Eisenstein, S., Bohne, M., & Volodarsky, M. (2024, October). Combating subscription fatigue: A data-driven approach for streamers [White paper]. Berkeley Research Group. https://media.thinkbrg.com/wp-content/uploads/2024/10/23152459/CF_Subscription-Fatigue-Streamers_October2024.pdf

⁵¹ Ibid.

⁵² Ernst & Young Global Limited. (n.d.). Maximizing value for video streaming services [Insight brief]. EY. https://www.ey.com/en_gl/alliances/maximizing-value-for-video-streaming

⁵³ Nathanson, M. (2024, June 26). Streaming seeks a path to profitability. Yale Insights. <https://insights.som.yale.edu/insights/streaming-seeks-path-to-profitability>

⁵⁴ Ibid.

⁵⁵ Ernst & Young Global Limited. (n.d.). Maximizing value for video streaming services [Insight brief]. EY. https://www.ey.com/en_gl/alliances/maximizing-value-for-video-streaming

nature of that growth is shifting.⁵⁶ However, the nature of that growth is shifting. AVOD models are expected to grow at a CAGR of 14.2%, compared to just 6.1% for SVOD.⁵⁷ This signals a fundamental transformation in how platforms generate income, with advertising becoming a critical driver of profitability.

Consumer behavior has accelerated this transition. As subscription fatigue grows, audiences are placing greater emphasis on affordability and flexibility. AVOD and free ad-supported streaming television (FAST) models lower the barrier to entry, creating opportunities to reach price-sensitive or previously underserved customers. For example, Disney's ad-supported bundle, which includes Disney+, Hulu, and ESPN+, provides an accessible and value-rich option for households, while helping the company monetize its expansive content library more effectively.⁵⁸

Disney's recent strategy illustrates how leading players are adapting. By the end of 2023, Disney+ reported 150 million global subscribers, driven by an 11% increase in international markets and the integration of Hulu's 48.5 million subscribers into a unified platform.⁵⁹ Rather than competing directly with Netflix, which had over 300 million global subscribers in Q4 2024, Disney is concentrating on reducing customer loss and consolidating its subscriber base.⁶⁰ A former Disney executive emphasized that the company's current objective is to stabilize its existing user base rather than focus solely on expansion.⁶¹

⁵⁶ Pennington, A. (2024). The state of OTT video. *Streaming Media*, 21(2), 38–43.

⁵⁷ *Ibid.*

⁵⁸ *Ibid.*

⁵⁹ *Ibid.*

⁶⁰ Spangler, T. (2025, January 23). Netflix tops 300 million global subscribers in Q4 2024, adding 13.1 million in quarter. *Variety*.

<https://variety.com/2025/tv/news/netflix-subscribers-300-million-q4-2024-1236280419/>

⁶¹ Pennington, A. (2024). The state of OTT video. *Streaming Media*, 21(2), 38–43.

This focus on retention reflects broader market dynamics. As of September 2024, the average gross monthly churn rate for premium SVOD platforms stood at approximately 5.3%.⁶² However, when accounting for re-subscriptions, users who return to a service within 12 months, the net churn rate declines to 3.1%.⁶³ This reveals that many consumers now treat streaming services as modular and interchangeable, subscribing based on specific content or promotions rather than maintaining continuous relationships. In this environment, bundling has become a key strategy for reducing cancellations and increasing perceived value.

Warner Bros. Discovery, for example, merged HBO Max and Discovery+ into a single platform, Max, as a way to simplify offerings and increase engagement. Netflix has also found success with its ad-supported tier, which accounted for 30% of new global subscriptions by the end of 2023.⁶⁴ These moves demonstrate how bundling and monetization through advertising can address churn and drive profitability simultaneously.

The increasing importance of advertising underscores the need for innovation backed by financial discipline. Platforms are adopting advanced analytics and artificial intelligence to personalize content and optimize ad delivery. Netflix's use of third-party measurement tools and its partnerships with advertising verification firms reflect a broader effort to refine its AVOD model. These enhancements improve the advertiser value proposition while supporting a more tailored and engaging user experience, which is critical to customer retention.

As the streaming sector matures, the interplay between profitability and retention is shaping new strategic priorities. Platforms must continue innovating while addressing consumer expectations

⁶² Antenna. (2024, December 5). Antenna's 2024 top subscription insights: Net churn [Report]. <https://www.antenna.live/insights/antennas-2024-top-subscription-insights-net-churn>

⁶³ Ibid.

⁶⁴ Pennington, A. (2024). The state of OTT video. *Streaming Media*, 21(2), 38–43.

for affordable, high-quality content. Collaborative approaches, such as bundling and cross-industry partnerships, offer effective pathways to deepen loyalty and diversify revenue. By aligning with evolving consumer behavior and focusing on sustainable economics, streaming platforms can secure long-term success in an increasingly competitive landscape.

Disney's Strategic Position in the Streaming Market

The Walt Disney Company operates through two primary business segments, each aligned with evolving industry dynamics. The Disney Media and Entertainment Distribution segment focuses on producing and distributing film and episodic television content globally, adapting to shifting consumer preferences and the increasing dominance of streaming.⁶⁵ The Disney Parks, Experiences, and Products segment monetizes Disney's intellectual property through theme parks, resorts, and consumer products, reinforcing brand engagement. Together, these segments position Disney as a leader in both digital content and experiential entertainment.

Recognizing changes in consumer behavior and the competitive threat posed by streaming services like Netflix, Disney entered the direct-to-consumer market with the launch of Disney+ in November 2019. The company leveraged its extensive intellectual property portfolio, including Marvel, Pixar, Star Wars, and classic Disney films, to create a compelling subscription offering.⁶⁶ The platform's launch was enabled by Disney's acquisition of BAMTech, which provided the necessary technological infrastructure to support large-scale streaming operations.⁶⁷

⁶⁵ MarketLine. (2024, November 14). Movies & entertainment market in North America: Supply chain analysis. MarketLine.

⁶⁶ DuBois, M. (2020, November 11). Taking a look back on the first year of Disney+—Here's what worked and what didn't. Forbes.
<https://www.forbes.com/sites/megandubois/2020/11/11/taking-a-look-back-on-the-first-year-of-disney-here-s-what-worked-and-what-didnt/>

⁶⁷ LaunchNotes. (2020, November 11). How they launched it: Disney Plus.
<https://www.launchnotes.com/blog/how-they-launched-it-disney-plus>

Disney+ pursued an aggressive pricing strategy, positioning itself below key competitors while bundling with ESPN+ and Hulu to maximize market penetration.⁶⁸ Within its first year, the platform surpassed 73 million subscribers, exceeding industry expectations.⁶⁹ Its success was driven by a strong content pipeline, an international expansion strategy, and direct control over distribution, allowing Disney to bypass traditional media channels.⁷⁰ However, subscriber retention remains an ongoing challenge as the streaming market becomes more saturated and Disney seeks to expand its content portfolio beyond its core family-friendly audience.

Disney's business model is built on vertical integration, spanning content creation, distribution, and retail. Through its portfolio of studios, including Marvel Studios, Lucasfilm, 20th Century Studios, and Searchlight Pictures, the company develops high-value intellectual property that is monetized across multiple channels. Its distribution capabilities, from theatrical releases to direct-to-consumer platforms like Disney+ and Hulu, allow it to control multiple points of the entertainment supply chain, reducing reliance on third-party distributors and strengthening its market position.⁷¹

The competitive environment includes major players such as Warner Bros. Discovery, Sony Pictures Entertainment, Comcast, and Paramount. These companies maintain influence through their extensive content libraries, large-scale production capabilities, and established distribution networks. As digital consumption accelerates, the pressure to monetize content more effectively

⁶⁸ DuBois, M. (2020, November 11). Taking a look back on the first year of Disney+—Here's what worked and what didn't. *Forbes*.
<https://www.forbes.com/sites/megandubois/2020/11/11/taking-a-look-back-on-the-first-year-of-disney-here-s-what-worked-and-what-didnt/>

⁶⁹ *Ibid.*

⁷⁰ LaunchNotes. (2020, November 11). How they launched it: Disney Plus.
<https://www.launchnotes.com/blog/how-they-launched-it-disney-plus>

⁷¹ *Ibid.*

has intensified, prompting firms to explore new distribution models and customer engagement strategies.

In this evolving landscape, partnerships that span industry boundaries, particularly between entertainment and financial services, are gaining traction as a means to boost customer acquisition and retention. For companies navigating saturated markets and rising churn, such collaborations offer a way to embed value into consumers' daily lives while extending brand reach. The following discussion will explore the strategic role of these cross-industry partnerships in more depth.

Precedents in Cross-Industry Collaboration

The intersection of the media and streaming sector with the consumer credit industry presents a strategically significant convergence that is increasingly shaping how firms respond to loyalty and retention challenges in saturated markets. On the surface, these industries appear to operate in vastly different domains: one centered on content, the other on financial services. However, a closer examination reveals important structural commonalities that create conditions ripe for cross-industry partnerships. Both sectors face intense competitive pressure, suffer from low switching costs that enable fluid consumer movement, and are exposed to rising price sensitivity, particularly among younger demographics. These shared vulnerabilities have elevated the strategic importance of loyalty, pushing firms to find more innovative, relevant, and sustainable approaches to customer retention.

In the credit card space, rewards programs have long been a dominant tool for acquisition and loyalty, built on the logic that transactional incentives such as miles, points, or cashback can differentiate products in a commoditized landscape. Yet empirical evidence suggests that these

traditional models have reached a ceiling in their effectiveness. Despite the ubiquity of rewards programs, annual churn in the industry remains stubbornly high, estimated between 20 to 35%.⁷² A central weakness of many such initiatives lies in their lack of personalization and diminishing lifestyle relevance. Generic incentives, especially those that require customers to engage in additional planning or delayed gratification, struggle to maintain engagement in a context where consumers expect immediate, intuitive value. As a result, the rewards themselves become commoditized, mirroring the very problem they were designed to solve.

In response to this dynamic, American Express has emerged as a first mover in redefining what loyalty can look like in the context of lifestyle integration. Its Digital Entertainment Credit, which subsidizes popular streaming subscriptions such as Disney+, signals a shift toward benefit structures that reflect users' everyday consumption habits. This approach recognizes that for many consumers, particularly younger cohorts, the value of a financial product is increasingly tied to its ability to enhance or embed itself within their existing routines. Rather than offering abstract or infrequently used rewards, the entertainment credit functions as a continuous source of utility that reinforces habitual card usage and deepens the emotional connection to the brand. It introduces a form of embedded loyalty, where switching providers would not just mean forgoing financial incentives but disrupting a valued daily experience.

This behavioral stickiness is reinforced by psychological mechanisms such as the endowment effect, where individuals place greater value on benefits they already possess. Once a benefit is seamlessly integrated into a customer's routine, its perceived loss becomes more salient than its nominal monetary value, creating natural resistance to churn. This stands in contrast to

⁷² Nalini, I. K. (2004, July). Making rewards relevant. *Credit Card Management*, 17(4), 48. <https://www.proquest.com/trade-journals/making-rewards-relevant/docview/201141265/se-2>

traditional loyalty programs, where the benefit structure often expires after the first year or fails to evolve with changing user preferences. Moreover, lifestyle-aligned perks create opportunities to influence not only card usage frequency but also overall brand affinity, a strategic outcome that is far more durable than short-term transaction volume.

The relevance of this shift is further underscored by recent consumer data. A 2024 Marqeta survey revealed that 72% of satisfied credit cardholders still planned to apply for a new card in the following year, indicating that satisfaction alone is no longer a reliable predictor of retention.⁷³ Among younger consumers aged 18 to 43, 80% said that a compelling feature or reward could persuade them to switch providers. In this context, true loyalty must go beyond satisfaction and be cultivated through relevance, consistency, and emotional resonance. Bain & Company's findings support this view, showing that firms identified as loyalty leaders not only grow more than twice as fast as their competitors but also achieve structurally lower service costs, often by as much as 15%.⁷⁴ These firms are distinguished by their ability to cultivate what Bain calls "promoter behavior," wherein customers remain longer, spend more, and actively advocate for the brand.

This evolving understanding of loyalty has direct financial implications. Retaining existing customers is estimated to be six times more cost-effective than acquiring new ones. A modest 5% increase in retention can yield a 75% increase in customer lifetime value, an outcome that significantly alters the economics of customer management in saturated sectors.⁷⁵ However, achieving this kind of improvement requires moving away from one-size-fits-all reward

⁷³ Broadbent, G. (2024, July 19). Amex boasts winning Gen Z strategy and healthy delinquency rates. eMarketer. <https://www.emarketer.com/content/amex-boasts-winning-gen-z-strategy>

⁷⁴ Markey, R. (2020, February 21). Why customer loyalty beats quarterly earnings. Bain & Company. <https://www.bain.com/insights/why-customer-loyalty-beats-quarterly-earnings-snap-chart/>

⁷⁵ Nalini, I. K. (2004, July). Making rewards relevant. *Credit Card Management*, 17(4), 48. <https://www.proquest.com/trade-journals/making-rewards-relevant/docview/201141265/se-2>

structures and toward adaptive, segmented offerings that reflect both financial behavior and lifestyle preferences.

In this light, programs like the Amex Digital Entertainment Credit are not isolated experiments, but early signals of a broader shift. They represent a recalibration of how value is constructed and delivered in loyalty programs. Personalization now extends beyond financial thresholds to behavioral alignment. Some issuers are experimenting with rewards for on-time payments, fee reductions for sustained engagement, or exclusive access to entertainment and wellness experiences. These benefits not only resonate more deeply with cardholders but also provide firms with actionable insights into evolving preferences, enabling further refinement through cohort-based analysis and feedback loops. Indeed, internal cohort analysis at Amex found that younger cardholders who activated the entertainment credit were 1.8 times more likely to engage with the product and demonstrated significantly higher lifetime value.⁷⁶

As the competitive environment intensifies, firms that continue to rely on standardized or legacy reward structures risk falling behind. Loyalty strategies must now be rooted in differentiation, relevance, and experiential depth. Partnerships that align with cultural touchpoints and daily behaviors offer a pathway to re-establish emotional connection in an era of transactional overload. In this environment, creating “sticky” relationships through integrated benefits may represent one of the few remaining levers for sustainable growth in highly saturated consumer markets.

⁷⁶ American Express. (2024, April 30). Investor Day 2024 [Slide deck]. https://s26.q4cdn.com/747928648/files/doc_downloads/2024/04/American-Express-Investor-Day-2024.pdf

Streaming platforms are increasingly turning to cross-industry collaborations to address high churn rates and attract a broader subscriber base. A notable example is their partnerships with grocery chains and delivery services, integrating entertainment offerings into essential household memberships to create mutually beneficial value propositions. Disney has partnered with Kroger to provide Boost With Kroger Plus members, who pay \$99 annually, with a complimentary ad-supported subscription to Disney+, Hulu, or ESPN+.⁷⁷ Similarly, Warner Bros. Discovery collaborates with DoorDash, offering DashPass members, at \$96 annually, access to Max’s ad-supported tier.⁷⁸ NBCUniversal has teamed up with Instacart to grant Instacart+ members, who pay \$99 annually, free access to Peacock. Walmart has also adopted this strategy, bundling Paramount+ with its Walmart+ membership, which costs \$98 per year.⁷⁹

These bundled models borrow from telecom strategies like T-Mobile’s “Netflix on Us,” which cut churn to under 1% by attaching high-usage content to sticky service plans.⁸⁰ Walmart’s version with Paramount+ delivered a 40% jump in streaming hours among activated members, showing how usage deepens when services are built into daily life.⁸¹

Subscriber churn remains one of the industry’s most pressing challenges. As Jana Arbanas, Deloitte’s vice chair and U.S. telecom, media and entertainment sector leader, explains, “Times are tough, budgets are tight from a household perspective, and so there are trade-offs that

⁷⁷ Weprin, A. (2024). Streaming’s next savior: Your grocery store. *Hollywood Reporter*, 430(30), 16.

⁷⁸ *Ibid.*

⁷⁹ *Ibid.*

⁸⁰ T-Mobile US, Inc. (2019, January 9). T-Mobile posts its best customer results yet, reports lowest ever Q4 post-paid-phone churn; beats customer guidance for FY 2018 [Press release].

<https://www.t-mobile.com/news/press/t-mobile-customer-results-q4-2018>

⁸¹ Paramount Global. (2024, February 28). Q4 2023 earnings call transcript [Transcript]. Refinitiv StreetEvents.

consumers are being forced to make. And that's why I think it is a really interesting proposition for streamers to be partnering with these grocers or delivery subscriptions, because those things are, for all intents and purposes, non-negotiables."⁸² By embedding entertainment services into essential memberships, platforms create recurring value that aligns with household priorities, reducing churn while enhancing customer retention.

As previously mentioned, bundling has become a key strategy for retention and value creation. Pairing streaming with grocery and delivery memberships provides consumers with consistent, tangible value that goes beyond entertainment. For retailers, these integrations encourage repeat purchases and increase customer spending both in-store and online.⁸³ Kroger Boost members, for example, tend to shop more frequently and spend more per visit, reinforcing the logic behind offering entertainment as a value-added perk.⁸⁴

Amazon Prime has become the benchmark for such partnerships, often viewed as the "North Star" by both grocery chains and streaming platforms. The primary appeal of Prime lies in its ability to combine core benefits like free and fast shipping with added value through services like Prime Video and exclusive discounts at Whole Foods.⁸⁵ While logistics remain the central draw, the bundled entertainment features serve as an additional incentive, enhancing customer loyalty. Inspired by Prime's success, other industries are adopting similar models to strengthen their customer relationships and reduce churn.

⁸² Weprin, A. (2024). Streaming's next savior: Your grocery store. *Hollywood Reporter*, 430(30), 16.

⁸³ Kang, J., & Buckley, T. (2024, October 8). Kroger delivery program adds Disney streaming as member perk. *Bloomberg*.
<https://www.bloomberg.com/news/articles/2024-10-08/kroger-delivery-program-adds-disney-streaming-as-member-perk>

⁸⁴ *Ibid.*

⁸⁵ Weprin, A. (2024). Streaming's next savior: Your grocery store. *Hollywood Reporter*, 430(30), 16.

The Kroger-Disney partnership exemplifies how retailers are strategically leveraging streaming perks to attract and retain subscribers. Launched in 2022, Boost has gradually expanded its benefits, with free streaming emerging as the program's first major enhancement. After analyzing customer preferences, Kroger identified a strong overlap between Boost users and Disney+ subscribers, making Disney a logical partner.⁸⁶ Unlike other retailers that bundle streaming as part of a broader ecosystem, Kroger is positioning entertainment as a primary driver of membership value. Premium-tier Boost members receive Disney+, Hulu, or ESPN+ at no additional cost, while basic-tier members receive a six-month subscription. The structure of the program ensures that users become accustomed to the benefit, increasing the likelihood of renewal.

Beyond improving retention, these collaborations present significant opportunities for advanced ad-targeting and data-driven monetization. Grocery platforms collect vast amounts of consumer purchasing data, enabling streaming services to deliver highly personalized advertisements.⁸⁷ For example, a viewer watching a cooking show might see ads for items they frequently purchase or complementary products on sale, with the option to add them directly to their delivery cart. This level of integration enhances both customer experience and revenue potential, creating new business models that extend beyond traditional advertising.

By leveraging shared insights into consumer preferences and shopping habits, these partnerships create powerful synergies. Recent research on loyalty programs further reinforces the effectiveness of these strategies, as consumers are increasingly engaging with rewards programs

⁸⁶ Kang, J., & Buckley, T. (2024, October 8). Kroger delivery program adds Disney streaming as member perk. Bloomberg. <https://www.bloomberg.com/news/articles/2024-10-08/kroger-delivery-program-adds-disney-streaming-as-member-perk>

⁸⁷ Weprin, A. (2024). Streaming's next savior: Your grocery store. *Hollywood Reporter*, 430(30), 16.

to maximize value amid economic uncertainty. According to a 2022 study by The Point of Loyalty, 70% of loyalty program members actively redeem their rewards, a sharp increase from 2016 when only half did so.⁸⁸ This shift reflects a broader consumer mindset where tangible, recurring benefits are valued more than one-time incentives. By integrating entertainment into memberships that consumers already rely on for essential purchases, companies can strengthen customer attachment while reducing the perceived burden of additional subscriptions.

The growing adoption of such partnerships underscores their importance in meeting consumer demands for convenience, affordability, and value. However, as subscription fatigue becomes more prevalent, an emerging challenge is "subscription guilt," a phenomenon where consumers feel guilty for underutilizing their paid memberships. More than a third of surveyed consumers report experiencing this guilt, particularly with entertainment, meal kits, and delivery services.⁸⁹ Bundling entertainment with grocery and essential services directly addresses this issue by embedding value into memberships that are already part of a consumer's daily routine. By combining strengths and aligning their offerings, streaming platforms and essential service providers can deliver integrated solutions that enhance customer satisfaction, drive engagement, and establish a strong foundation for sustainable growth in an increasingly competitive market. The result is a mutually beneficial ecosystem where both industries capitalize on each other's core strengths to navigate changing consumer behaviors.

⁸⁸ Money (Australia Edition). (2022, July). Shoppers cash in their rewards. Money (Australia Edition), 257, 16. <https://www.moneymag.com.au/rewards-people-cash-in>

⁸⁹ Ibid.

The Amex–Disney Case Study

In developed markets, cross-industry collaborations are a key driver of credit card spending, particularly because they appeal to high-spending customers with tailored rewards and exclusive experiences. These partnerships have become increasingly competitive, requiring innovative and compelling value propositions to attract and retain customers effectively.⁹⁰ While the Amex Digital Entertainment Credit does not conform to the traditional definition of a single-partner collaboration, it exemplifies the evolving nature of cross-industry partnerships by leveraging multi-platform flexibility to appeal to diverse customer preferences.

Traditionally, cross-industry partnerships in the credit card industry involve financial institutions aligning with a specific partner brand to deliver unique benefits to their customers. These collaborations often include co-branded financial products prominently displaying both entities' logos, symbolizing their joint commitment to delivering tailored rewards. Financial institutions gain access to their partners' customer bases, while partner brands benefit from increased customer engagement and spending. Examples such as Citi's partnership with American Airlines and Chase's collaboration with Marriott Bonvoy illustrate how these models are designed to drive loyalty through aligned incentives and exclusive benefits.

The Amex Digital Entertainment Credit redefines this approach by expanding its reach across multiple platforms and industries. Instead of introducing a single co-branded product, this initiative provides up to \$20 per month in statement credits, applicable to a range of digital platforms, including Disney+, Hulu, ESPN+, The New York Times, Peacock, and The Wall

⁹⁰ Euromonitor International. (2023, March 6). American Express Co in consumer finance (World): Global company profile [Company profile]. Passport.

Street Journal.⁹¹ Unlike traditional collaborations that focus on one partner, this credit supports customer choice and flexibility, allowing users to allocate benefits to platforms that align with their individual interests and consumption habits.⁹² This approach not only broadens the appeal of the credit but also addresses challenges like subscription fatigue by enabling customers to manage costs across multiple services.

The strategic objectives of this initiative also distinguish it from traditional cross-industry partnerships. For American Express, the primary goal is to enhance cardholder engagement and increase spending activity, positioning itself as a lifestyle enabler rather than just a payment provider. For the participating digital platforms, the credit serves as a tool to reduce churn and attract new subscribers, leveraging Amex's premium customer base as an acquisition channel. By aligning these goals, the partnership fosters long-term customer loyalty and increases the lifetime value of both cardholders and platform users.⁹³

Despite differing in structure from traditional single-partner collaborations, the Amex Digital Entertainment Credit achieves many of the same outcomes. Both Amex and its platform partners benefit from improved retention metrics, enhanced customer satisfaction, and stronger brand loyalty. This model also highlights a shift in the credit card industry toward multi-industry collaborations that go beyond single-product offerings to deliver holistic, customer-centric value. Such partnerships emphasize flexibility and personalization, aligning with evolving customer expectations in an increasingly fragmented digital economy.

⁹¹ American Express. (n.d.). Digital Entertainment Credit: Platinum Card benefits, <https://global.americanexpress.com/card-benefits/detail/digital-entertainment/platinum>

⁹² Euromonitor International. (2023, March 6). American Express Co in consumer finance (World): Global company profile [Company profile]. Passport.

⁹³ Ibid.

This case demonstrates how cross-industry collaborations can evolve to reflect changing market dynamics, addressing both individualized customer needs and broader industry challenges. By offering a solution that integrates streaming, news, and entertainment platforms, the Amex Digital Entertainment Credit underscores the potential of multi-platform flexibility as a strategic tool for fostering loyalty and reducing churn.

The Added Value of Embedded Financial Offers

While bundling has proven effective in addressing subscription fatigue and retaining customers, Digital Entertainment Credits present a complementary strategy to further reduce churn. By subsidizing the cost of streaming services, these credits lower financial barriers for consumers, enhancing the perceived value of a platform's offering without requiring bundled subscriptions. For instance, a credit that offsets the monthly cost of services like Disney+, Hulu, or ESPN+ directly addresses consumer concerns about affordability while fostering loyalty to both the streaming platform and the credit provider.

The Digital Entertainment Credit operates as an additional layer of value, targeting price-sensitive consumers who may otherwise cancel subscriptions due to cost concerns. Unlike bundling, which ties multiple services together, the Credit offers flexibility, allowing consumers to choose specific services that align with their preferences. This adaptability not only caters to individual needs but also strengthens the "stickiness" of the credit provider's offering by integrating seamlessly into customers' existing spending habits.

From a financial standpoint, the key objective for credit card issuers is to ensure that the incremental revenue generated through increased customer engagement and retention outweighs the cost of the perk itself. A widely accepted benchmark is a 3 to 1 customer lifetime value to

customer acquisition cost ratio, meaning that for every dollar spent acquiring a customer, the issuer expects approximately three dollars in gross lifetime profit.⁹⁴ Bundled perks, such as Entertainment Credits, can improve this ratio by increasing customer stickiness, spend frequency, and overall lifespan. When customers engage more deeply by activating recurring benefits, they are more likely to designate the card as their primary method of payment, which increases both interchange revenue and fee-based income.

This expansion in customer lifetime value also shortens the customer acquisition cost payback period, which refers to the time required to recover the initial cost of acquiring a customer through bonuses or marketing expenses. For example, a premium card that typically requires two to three years to break even can recover these costs more quickly if customers remain active for four years or more due to perceived value and increased satisfaction. Transaction volumes often increase following the activation of perks, accelerating this payback timeline. Internal data from American Express supports this trend. Younger cohorts, particularly Millennials and Gen Z cardholders, now make up a majority of new accounts and are increasing their spending more quickly, which has been linked to the appeal of new digital entertainment benefits.⁹⁵

To assess the return on investment of such programs, issuers frequently use cohort-based analysis. This involves comparing the retention and spending behavior of customers who receive the benefit to those in earlier cohorts who did not. A slower decline in retention rates, coupled with increased usage patterns, provides evidence that the perk is driving longer engagement. These trends ultimately contribute to stronger customer lifetime value, reflected in lower attrition, higher annual spending, and improved customer acquisition cost to lifetime value ratios.

⁹⁴ Chargebee. (n.d.). LTV/CAC ratio: How to define, optimize & calculate. Retrieved May 7 2025, from <https://www.chargebee.com/resources/glossaries/ltv-cac-ratio/>

⁹⁵ Broadbent, G. (2024, July 19). Amex boasts winning Gen Z strategy and healthy delinquency rates. eMarketer. <https://www.emarketer.com/content/amex-boasts-winning-gen-z-strategy>

Commitment bias and habit formation also play a role. Once customers integrate the credit into their routines, setting up autopay, sharing with household members, or regularly using the platform, they become more anchored to the underlying product.⁹⁶ Behavioral inertia builds over time, making switching costs psychological as well as financial. Even when alternatives are available, consumers tend to rationalize the value of staying with a product they've customized to their lifestyle.

These psychological effects are reinforced by identity dynamics. Consumers using lifestyle-linked benefits often associate themselves with the perceived status of the brand. For example, enjoying digital perks through a premium credit card can enhance self-perception, reinforcing emotional loyalty. Streaming executives have acknowledged that when their services are embedded in broader financial or retail memberships, they shift from being an optional add-on to a default component of everyday life.

In a competitive market where retaining customers is paramount, entertainment credits represent an innovative and flexible tool that complements bundling strategies. Together, these approaches demonstrate how both streaming platforms and financial partners can enhance engagement, reduce churn, and grow customer lifetime value by addressing both economic and behavioral dimensions of loyalty. The combination of cost-effectiveness, habit formation, and emotional attachment creates durable loyalty effects that extend far beyond the monetary value of the credit itself.

⁹⁶ Renascence. (2024, August 25). Commitment bias: Staying loyal to initial decisions. <https://www.renascence.io/journal/commitment-bias-staying-loyal-to-initial-decisions>

How Amex Uses Rewards to Drive Loyalty and Differentiation

American Express has repositioned the credit card from a transactional payment tool to a membership-based product designed to drive long-term customer loyalty. By integrating tailored benefits into routine spending habits, the company has created a competitive advantage that extends beyond financial incentives. Amex ensures that its cardholders see tangible value in their membership through curated rewards, including travel perks, dining credits, and entertainment subscriptions. This approach aligns with evolving consumer behaviors while strengthening engagement with high-value customers.

Emma Cambol, Vice President of U.S. Consumer Premium Products, describes this transformation: “What American Express has done over the past several decades is turn a commodity into a form of membership. We take that piece of plastic and put a wrapper of benefits and services around it to ensure that it feels like a product that drives envy, ultimately driving acquisition and long-term loyalty.” This shift redefines the credit card from a basic financial tool to an access point for exclusive privileges, reinforcing the value of Amex’s premium, fee-based products.

The Centurion Lounge network serves as a tangible representation of this philosophy. Unlike conventional travel rewards that primarily focus on cost savings, Amex reshapes the entire customer experience. “Airports are crammed, they are dirty, and people want to get in and out quickly,” Cambol explains. “But we have flipped that experience on its head. Instead of a stressor, we have created a private oasis in the midst of the chaos.” This ability to transform a negative consumer experience into a premium benefit strengthens emotional attachment to the brand and increases reliance on Amex products.

By structuring benefits that cardholders can actively experience, Amex strengthens habitual usage and long-term engagement. The company does not solely rely on transactional rewards such as cash back or points, which are easily commoditized. Instead, it integrates lifestyle-based perks that are difficult for competitors to replicate. This strategy is particularly evident in the way Amex presents the value of its premium cards. Cambol explains that benefits such as statement credits are designed to ensure customers perceive a clear return on investment. “There is a feel-good factor when you are checking the box on \$240 out of a \$695 fee,” she states. “Then you keep going. There is Uber, that is another \$200. The list continues, and the overall value becomes clear.” This pricing strategy ensures that customers mentally account for individual rewards rather than focusing on the card’s overall cost. Even high-net-worth individuals remain value-conscious, and Amex reinforces the perceived benefits in a way that makes retention a natural outcome.

Amex’s ability to align benefits with customer behavior was further demonstrated during the COVID-19 pandemic, which forced the company to re-evaluate its reliance on travel-based rewards. With global travel restrictions limiting the usability of traditional perks, Amex adapted by introducing incentives tailored to home-based consumption. “In 2020, during COVID, we had a great deal of value tied to travel, and obviously, people were not able to use those benefits,” Cambol recalls. “So we injected temporary value into the products with benefits such as dining and grocery delivery so that customers still felt they were receiving tangible benefits.” This adaptation ultimately led to a permanent shift in Amex’s rewards ecosystem.

One of the most notable additions following this period was the Digital Entertainment Credit, which allows Platinum cardholders to offset the cost of subscriptions such as Disney+, Hulu, and The New York Times. “During COVID, people streamed their hearts out,” Cambol notes. “We

saw an opportunity to meet customers where they were, whether consuming news, entertainment, or digital subscriptions. That was the thinking behind the Digital Entertainment Credit.” This move reflects a broader strategy to future-proof the product offering by expanding beyond travel-based benefits. Rather than limiting itself to a single spending category, Amex has diversified its value proposition to remain relevant across economic cycles.

Beyond expanding its range of lifestyle benefits, Amex is highly selective when choosing partners for its rewards programs. Cambol emphasizes that brand alignment is a critical factor in determining which companies the firm collaborates with. “Relevance and brand fit are paramount,” she explains. “We view ourselves as one of the best brands in the world, and working with the best brands is something we do very carefully. Reputations are built over decades, and it is easy to lose them.” This selectivity ensures that Amex’s partnerships reinforce its premium positioning and maintain the trust of its high-value customer base.

Another defining element of Amex’s partnership strategy is its focus on flawless execution. Cambol notes that the company will not move forward with a collaboration unless it can guarantee that every customer will receive their benefit without issue. “If we do not have 100 percent confidence that every single customer will receive their benefit flawlessly, we simply will not proceed,” she states. “It does not matter how many customers are involved; we must have complete confidence that each customer, such as Cloe receiving her Disney+ subscription and the corresponding credit, will experience the promised benefit.” Ensuring operational precision in benefit delivery reinforces Amex’s reputation for reliability and enhances customer satisfaction. In an environment where poorly executed partnerships can lead to customer churn, this level of control provides Amex with a key competitive advantage.

By integrating lifestyle rewards, carefully selecting partnerships, and ensuring seamless execution, Amex has cultivated an exceptionally loyal customer base. The company reports a 98% retention rate among its premium cardholders, a figure significantly higher than industry averages. Cambol highlights how this high engagement rate makes Amex an attractive partner for businesses in other sectors. By providing access to a financially stable, highly engaged customer base, Amex positions itself as a critical player in helping media companies reduce churn and increase long-term value per subscriber.

As industries continue to converge, partnerships between financial services and entertainment companies are becoming a strategic necessity. Amex's model demonstrates how financial institutions can leverage their position in consumer spending to drive customer retention while creating new revenue opportunities for partners. By embedding itself into consumers' daily financial decisions, Amex has reinforced its role not just as a payments provider but as a lifestyle brand. This positioning strengthens customer relationships, mitigates churn, and solidifies Amex's competitive advantage in a rapidly evolving financial services landscape.

Strategic Risks in Cross-Industry Partnerships

While cross-industry partnerships offer powerful opportunities to drive loyalty and differentiation, they are not without significant risks; understanding these vulnerabilities is critical to assessing whether such collaborations can deliver sustainable strategic value. As discussed above, Emma Cambol's remarks on AMEX's approach to partnerships illustrate how heavily success depends on brand fit and flawless execution. One of the most fundamental risks stems from brand misalignment and reputational exposure. Partnerships require more than just operational agreements; they demand a deep compatibility between brand images, customer

bases, and value propositions.⁹⁷ Without such alignment, collaborations risk confusing customers and diluting the distinct identity of each brand. Academic research on co-branding cautions that poorly matched alliances weaken brand equity for both parties, as customers often project reputational flaws from one partner onto the other.⁹⁸ Negative spillover effects are particularly acute when one partner faces operational or ethical issues, pulling down the public perception of the alliance as a whole.⁹⁹ Successful partnerships typically share a "consistency of meaning and context," where customers perceive a natural fit between the brands involved.¹⁰⁰ Failure to secure this alignment not only reduces the partnership's effectiveness but can actively erode the brand strength that firms have spent years cultivating, particularly in sectors where loyalty is a critical competitive differentiator.

Even in cases where brand values are aligned, cross-industry partnerships are vulnerable to operational and execution challenges that can erode customer experience and organizational trust. Integrating systems, processes, and corporate cultures across industries is inherently complex, often resulting in coordination breakdowns and governance failures. Research suggests that more than half of partnerships underperform relative to initial expectations, primarily due to issues such as unclear role divisions, incompatible IT architectures, and clashing organizational norms.¹⁰¹ Seemingly minor differences, such as inconsistent expectations around planning rigor or decision-making timelines, can accumulate friction over time, making day-to-day

⁹⁷ Lee, C.-L., & Decker, R. (2016). Co-branding partner selection: The importance of belief revision. *Journal of Business Economics and Management*, 17(4), 546–563.

⁹⁸ *Ibid.*

⁹⁹ Simonin, B. L., & Ruth, J. A. (1998). Is a company known by the company it keeps? Assessing the spill-over effects of brand alliances on consumer brand attitudes. *Journal of Marketing Research*, 35(1), 30–42. <https://doi.org/10.2307/3151928>

¹⁰⁰ Rao, A. R., & Ruekert, R. W. (1994). Brand alliances as signals of product quality. *Sloan Management Review*, 36(1), 87–97. <https://sloanreview.mit.edu/article/brand-alliances-as-signals-of-product-quality/>

¹⁰¹ Agrawal, A., & Rinaudo, E. K. (2021, January 25). Ensuring the health of your business partnerships. McKinsey & Company. <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/ensuring-the-health-of-your-business-partnerships>

collaboration inefficient.¹⁰² Inadequate performance tracking frameworks and an absence of escalation paths further compound these problems, leaving partnerships unable to adapt to evolving needs or challenges.¹⁰³ Execution failures not only diminish the intended value of the partnership for consumers, through service inconsistencies or benefit delivery failures, but also introduce reputational risks as customer dissatisfaction rises. To realize the benefits envisioned at the strategic level, alliances must therefore invest heavily in joint operational planning, robust governance structures, and a shared commitment to proactive communication.

Beyond operational execution, cross-industry collaborations must contend with the challenge of shifting consumer behavior and evolving market trends. A partnership that resonates powerfully at launch can lose relevance if it fails to adapt alongside consumer expectations. This risk is particularly salient in loyalty-driven industries, where customers increasingly demand instant, seamless, and personalized experiences. If a collaborative offering becomes cumbersome, outdated, or misaligned with prevailing behaviors, such as a rewards system that feels complicated compared to emerging frictionless alternatives, consumer disengagement can occur rapidly. Moreover, the accelerating pace of technological change means that even well-conceived partnerships must continuously reassess their offerings and value propositions. Without a systematic approach to trend-monitoring, consumer feedback incorporation, and iterative innovation, partnerships risk becoming stale, forfeiting the behavioral "stickiness" they were designed to create.

¹⁰² Agrawal, A., & Rinaudo, E. K. (2021, January 25). Ensuring the health of your business partnerships. McKinsey & Company. <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/ensuring-the-health-of-your-business-partnerships>

¹⁰³ Ibid.

Economic downturns and cyclical market pressures present another source of risk that can destabilize cross-industry partnerships, particularly those tied to discretionary spending categories like entertainment, travel, or premium rewards. In recessionary periods, consumers typically reduce spending on non-essential goods and services, shrinking the transaction volumes and customer engagement that many partnerships rely on to justify their economics.¹⁰⁴ A partnership structured around healthy consumer discretionary spending may become a financial strain if macroeconomic conditions deteriorate. Furthermore, crises often introduce asymmetries between partners; one firm may remain relatively stable while the other faces acute distress, forcing difficult renegotiations or even precipitating the collapse of the alliance.¹⁰⁵ Historical experience shows that stress tests like the COVID-19 pandemic expose latent weaknesses in partnerships, as shifting priorities and liquidity pressures reveal underlying fragilities. Mitigating these risks requires partners to build contingency planning into their agreements from the outset, flexible performance targets, renegotiation mechanisms, financial buffers, and shared crisis protocols, to ensure that short-term external shocks do not irrevocably damage long-term collaborative value.

Finally, heavy dependence on a single partner represents a critical strategic vulnerability in cross-industry collaborations. While partnerships can deliver powerful customer access and incremental revenues, an overconcentration risk emerges when one firm becomes disproportionately reliant on another for strategic objectives such as customer acquisition, loyalty, or product differentiation. This reliance creates significant exposure if the partner relationship shifts priorities, deteriorates, or ends. Alliance lifespan studies suggest that the

¹⁰⁴ Agrawal, A., & Rinaudo, E. K. (2021, January 25). Ensuring the health of your business partnerships. McKinsey & Company. <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/ensuring-the-health-of-your-business-partnerships>

¹⁰⁵ Ibid.

median alliance lasts only about seven years, with nearly 80% of joint ventures ultimately ending through a buyout or exit by one party.¹⁰⁶ The abrupt loss of a key partner can inflict immediate and severe financial consequences, as exemplified by American Express's exclusive partnership with Costco. When Costco switched providers in 2015, Amex lost approximately 8% of its revenues and saw a major decline in market capitalization within days, highlighting how dependence can magnify the impact of a partnership breakdown.¹⁰⁷ Companies must therefore design partnerships to enhance, not anchor, their business models. Diversification of alliances, parallel channel development, and structured exit provisions are critical tools for ensuring that partnerships remain strategic enablers rather than potential liabilities over the long term.

The Future of Credit Card–Entertainment Partnerships

Credit card–entertainment partnerships are expected to evolve significantly over the coming years as companies respond to shifting consumer behaviors and technological advancements. Two primary forces are likely to drive this evolution: the increasing use of AI-driven personalization and the expansion of new entertainment frontiers.

In the short term, over the next one to three years, credit card issuers and entertainment platforms will deepen their use of AI to deliver hyper-personalized rewards and offers. Mastercard, for example, is already leveraging AI, including generative AI capabilities, to present "the right offer at the right moment" based on a 360-degree view of cardholder behavior.¹⁰⁸ Similarly, Bank of

¹⁰⁶ Bleeke, J., & Ernst, D. (1995, January). Is your strategic alliance really a sale? *Harvard Business Review*, 73_(1), 97–105. <https://hbr.org/1995/01/is-your-strategic-alliance-really-a-sale>

¹⁰⁷ Stempel, J. (2017, October 2). American Express wins dismissal of lawsuit over lost Costco contract. *Reuters*. <https://www.reuters.com/article/business/american-express-wins-dismissal-of-lawsuit-over-lost-costco-contract-idUSKCN1C72W3/>

¹⁰⁸ PYMNTS. (2024, February 5). Mastercard: AI and personalized offers drive the future of brands and banks.

America has piloted an AI-driven reward system that dynamically adjusts point multipliers according to real-time spending patterns.¹⁰⁹ For entertainment partnerships, this will translate into proactive personalization: a credit card app might detect a cardholder's interest in specific content categories and suggest relevant streaming promotions, or dynamically boost rewards for media subscriptions aligned with the customer's preferences. By embedding predictive offers into loyalty programs, issuers aim to forge deeper, behaviorally anchored relationships, ensuring customers perceive the card's value as highly relevant to their daily lives.

In parallel, loyalty program infrastructure itself will continue evolving. Emerging technologies such as real-time data processing and predictive loyalty AI are becoming central, enabling issuers to forecast member behaviors with increasing accuracy. Early pilots suggest that predictive loyalty systems can drive up to 35% higher reward redemption rates, reinforcing the value of investing in dynamic, behavior-responsive programs.¹¹⁰

Looking to the mid-term, over a three-to-seven-year horizon, partnerships will also need to adapt to a shifting entertainment landscape. As traditional streaming platforms consolidate or transform, consumer attention is expected to increasingly shift toward short-form video, creator-driven content, immersive experiences such as augmented and virtual reality, and interactive entertainment. Credit card companies will adjust their strategies accordingly, expanding rewards beyond traditional subscriptions. Future programs may offer incentives for emerging behaviors, such as TikTok in-app purchases, YouTube Super Chats, Patreon memberships, or livestream shopping, where entertainment and commerce converge. As

<https://www.pymnts.com/news/loyalty-and-rewards-news/2024/mastercard-ai-and-personalized-offers-drive-the-future-of-brands-and-banks/>

¹⁰⁹ Mathur, N. (2025, February 13). Hyper-personalization: How U.S. brands are redefining loyalty programs in 2025. Nector.io.

<https://www.nector.io/blog/hyper-personalization-how-u-s-brands-are-redefining-loyalty-programs-in-2025>

¹¹⁰ Ibid.

platforms bundle subscription, ad-supported, and merchandise offerings, issuers could partner to provide ad-free upgrades, bonus points for merchandise tied to entertainment properties, or exclusive access to creator events.

Technological innovation will also open new partnership channels. Augmented reality (AR) experiences are expected to become integrated into loyalty programs, offering cardholders immersive ways to engage with entertainment brands. For example, AR-driven interactions could reward users for participating in virtual screenings, product visualizations, or branded AR events tied to major entertainment launches, building deeper engagement and loyalty.

Live hybrid events, such as esports tournaments, virtual fan conventions, and interactive performances, will also offer additional opportunities for partnership. Credit card issuers may sponsor these events and integrate rewards for participation, combining physical and digital experiences to deepen engagement with cardholders. As entertainment consumption becomes increasingly multi-platform and interactive, loyalty strategies will need to be flexible and responsive to evolving consumer behaviors.

In summary, AI-driven personalization will be the primary engine optimizing partnerships in the immediate term, while flexible adaptation to emerging entertainment models will define mid-term success. The central objective will remain consistent: to embed credit card brands into consumers' evolving entertainment experiences, sustaining loyalty as the definition of entertainment continues to shift.

Conclusion

This thesis set out to explore how cross-industry collaborations can serve as strategic levers for enhancing customer retention in mature, competitive sectors, focusing on the American Express Digital Entertainment Credit as a case in point. While the credit card and media and entertainment industries appear unrelated at first glance, both are shaped by high customer churn, low switching costs, and rising consumer expectations for personalized, frictionless value. These pressures are pushing firms to move beyond conventional product innovation and adopt lifestyle-based, embedded benefits to drive differentiation.

The analysis shows that broad cashback programs and static co-branded cards are no longer sufficient to secure long-term engagement. Despite high satisfaction levels, many credit card users remain open to switching, highlighting the transient nature of loyalty built on transactional perks. Likewise, streaming platforms face mounting subscription fatigue and increasingly selective consumer attention. In both cases, retention now depends on deepening emotional connection and integrating into users' daily routines.

The Amex Digital Entertainment Credit provides a compelling response to this challenge. Rather than relying on a single co-brand model, it offers flexible monthly credits redeemable across multiple digital platforms. This structure supports individual preferences while embedding recurring value into everyday digital behaviors. The result is not just increased card usage but greater behavioral stickiness, achieved through habit formation, commitment bias, and enhanced brand affinity.

Insights from a primary interview with an Amex executive confirm that these outcomes are intentional and measurable. Entertainment-linked benefits have boosted engagement among

younger cohorts and reduced customer acquisition payback periods. These results reinforce the strategic potential of cross-industry benefits as long-term value drivers, not just marketing perks.

Precedents from other sectors, such as grocery-retail and streaming bundles like Kroger–Disney and Walmart–Paramount, support the scalability of this approach. These partnerships succeed by aligning with high-frequency behaviors and transforming discretionary perks into perceived essentials. For both financial institutions and entertainment providers, this convergence offers a path to differentiation in increasingly commoditized markets.

In sum, cross-industry partnerships designed for flexibility, behavioral alignment, and embedded relevance represent an underutilized yet powerful strategy for improving retention. As acquisition costs rise and consumer expectations accelerate, the firms best positioned to thrive will be those that integrate themselves into the everyday lives of their customers. The Amex case offers a blueprint for reimagining rewards, not as static incentives but as dynamic, habit-forming experiences that evolve with the consumer. These partnerships will increasingly define the future of loyalty, shifting its foundation from transactional value to lived, lifestyle relevance.

Appendix

During the writing of this paper I used ChatGPT solely to refine wording and polish language for clarity and academic tone. All source selection, analysis, framework design, argument development, and synthesis of findings were conducted independently by me. ChatGPT was not employed to perform automated literature reviews, generate original arguments, or replace my critical reasoning, and the intellectual contribution and scholarly judgments presented here are entirely my own.

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