



# DISCUSSION: SELLING SUBSCRIPTIONS

Paper: Einav, Klopck, Mahoney

Discussion: Avner Strulov-Shlain

# MY VIEW OF THE PAPER

Clever and clean design, data, and paper

- The paper, rightly so, does not explore differences between the services
- Doable but requires a substantial extension of data. Even then, not clean.

**Many (most) subscribers are inert:**

The same person who has been a subscriber for T months would not re-subscribe if their subscription is suddenly cancelled.

**So, much of sellers' revenue flow is from consumers who actually rather not be their consumers**

- That's bad, but unclear just how bad (see next point)

What to do? Depends on why consumers do not cancel

# WHY ARE CONSUMERS INERT?

1. Costly to take an action (mostly to cancel, perhaps to renew)
2. Inattention (inaction)
- ~~3. Habit (learn to like the service)~~

Very hard to separate the two with these type of data

- Most papers assume their preferred channel
- Brot-Goldberg et al (2023) and Miller et al\* (2023) find support for inaction
- But costs must matter, or be a partial cause of inaction

Policy can address both, but welfare assessment is tricky

# THE IMPORTANCE OF MARKET STRUCTURE

To the extent that consumers are sophisticated *and have options*:

- Over-estimate the effects of inattention on sellers' revenue
- Under-estimate the benefits to consumers from safeguards

Why? if lower risk of being stuck, more consumers will subscribe

Theoretically, may even flip the sign of the revenue effects

So why don't companies do it on their own? My guesses:

- Industry norms
- Time horizon of revenue effects
- ...And yet, newer actors do move in that direction (e.g. cable vs streaming)

# THINKING OF REMEDIES

## Inattention:

- The paper assesses the effects of “forced” attention
- Mandatory reminders
- Auto-cancellation due to inaction

## Costs:

- “Click to cancel”
- 3<sup>rd</sup> party services

Subscriptions as soft opt-in: unless I use the service I am reimbursed X% for the period

- the convenience of subscription without the risk of overpaying.