**RICHIESTA PER L'ATTRIBUZIONE DI UN ASSEGNO DI RICERCA POST-DOC Dipartimento di Scienze Aziendali – Università di Bologna**

**Title: Subscription Marketing and the Digital Consumer**

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Sede della ricerca: DSA – University of Bologna

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Main Contributor: University of Mannheim

**International Collaboration in the Research Project:**Prof. Florian Stahl, University of Mannheim

**1. INTRODUCTION**

Due to the digitalization of products and services, subscription-based business models are increasingly dominant in the evolving landscape of marketing technologies. Companies in industries are finding the subscription model more and more attractive, as it can help themestablish long-running customer relationships and more predictable revenue streams. Consider for instance the publishing and the entertainment industries (e.g. Spotify, Netflix, Sky), the software industry (e.g. SAS, Spss, Microsoft Office 365), digital services (e.g. Dropbox, ICloud), e-commerce platforms (e.g. Amazon, Ebay, Alibaba) and also retailers (Target subscription, Walmart Inhome, Amazon Fresh). A recent PYMNTS report (Global Recurring Payments Tracker[[1]](#footnote-1)) indicates that subscriptions have increased customer loyalty by 55% for retailers in 2019.

AlsoInternet penetration and developments in technologies have created a data-rich environment that allows companies and researchers to develop a better understanding of individual consumers purchase decisions and individual (post-purchase) consumption behavior overtime. According to the OECD[[2]](#footnote-2), mobile broadband subscriptions continue to grow strongly at a rate of around 7% a year while high-speed fiber subscriptions increased by 13.8% from 2019 to 2020. In this highly connected environment, it is nowadays possible to observe the customer experience holistically, from purchase, thorough consumption, to subscription renewal.

Understanding how important subscription marketing is and how subscription-based business models affect consumers’ behavior is a fundamental issue in current marketing research (see also MSI research priorities 2020-2022). This project wants to contribute to this highly relevant but under-researched topic by investigating the consequences of subscription decisions on future consumption by focusing on how the framing of subscription offers in terms of pricing and assortment affects both choice and consumption. Consumers’ choices of subscriptions durations depend on how much they value future consumption compared to current consumption and on the uncertainty about their future needs (Della Vigna and Malmendier 2006). Because of this uncertainty, consumers may be reluctant to sign up for subscriptions. To reduce this risk, firms might introduce incentives on longer subscriptions (e.g. price or premium promotions) or frame their offers to facilitate purchase (e.g. arranging product alternatives in 3-item choice-sets to stimulate preferences of the middle option, Chernev 2004, Tversky and Simonson 1993, Simonson 1989). Different ways of framing promotions (*framing effects*) and of presenting product alternatives (*context effects*) not only influence choice but can also influence post-choice behavior. The proposed research aims to understand how framing and context effects affecting subscription choices might also influence overtime consumption to uncover those consumption patterns that, when a subscription is about to expire, lead to renewal or churn.

The research proposal is structured as follows. Paragraph 2 summarizes the research questions and objectives. Paragraph 3 summarizes the study plan and timeline. Paragraph 4 provides information about co-funding and the international collaboration with the University of Mannheim. Paragraph 5 outlines the profile and requested skills of the post-doc fellow and expected scientific outcomes.

**2. OBJECTIVES OF THE RESEARCH**

The main objective of this research project is testing empirically the effect of well-known promotion strategies in a subscription-based context to understand their effect on choice as well as on consumption overtime. To do this, we will adopt a multi-method approach driven by a deep analysis of the existing scientific literature on subscription marketing and mixing several data collection and data analysis techniques. For instance, we will conduct online controlled experiments with partner firms (we already secured the cooperation of major publisher). We also plan to conduct surveys on students of both partner Universities and, when possible financially, to collect more generalized and representative panels online (e.g. Amazon Mechanical Turk and Prolific).

**Research Objective 1**: Observing that the most frequently used frames for promoting subscription extensions are *price discounts* (e.g. “sign up for 6 months and save 50%”) and *bonus time* benefits (e.g. “sign up for 6 months and get 3 months free of charge”), the first aim of this project is investigating how these two types of promotions influence preferences for subscription durations. Prior research has studied consumers’ different perceptions between monetary (discounts and rebates) and non-monetary (premiums and free extra products) promotions (e.g., Campbell and Diamond 1990; Foubert et al. 2018; Hardesty and Bearden 2003; Soman 2001), but no previous research has investigated their influence on preferences for subscriptions durations. The main objective of this project is therefore to better understand how framing promotions in monetary terms (e.g., as money saved on the contract price) compared to temporal terms (e.g., as time gained on the contract duration) influences consumer’s choice of shorter versus longer contracts and to provide managerially relevant suggestions. Indeed, this research will have important managerial implications for the increasingly popular subscription business models, because both types of promotions are omnipresent in this context.

**Research Objective 2**: The notion that decision-making under preference uncertainty is influenced by the choice context has received a great deal of attention (Huber, Payne, and Puto 1982; Huber and Puto 1983; Prelec, Wernerfelt, Zettelmeyer 1997, Simonson 1989; Simonson and Tversky 1992; Tversky and Simonson 1993). The choice of a subscription and, its duration can be driven by some degree of uncertainty as it involves making a tradeoff between the higher flexibility of shorter contracts (that are easier to cancel) and the higher convenience of longer contracts. The second aim of this project is therefore to understand the influence of context effects (e.g. the compromise and the attraction effect) on choice for subscription durations. Furthermore, the subscription model is the perfect environment for observing the consequences of context effects on post-choice behavior. This is an additional objective of this project as the identification of specific post-choice consumption patterns can shed new light on the long-term effects (e.g. subscription renewal vs. churn) of such highly used choice arrays manipulations (e.g. for e-commerce and retailers).

**Research objective 3:** As indicated above, subscription-based digital firms often present their assortments while creating a context effect. For instance, companies like Netflix, Apple Music and, the New Yorker propose three plans to their customers involving a tradeoff between price and included services. This means that none of the available alternative is a best buy as more features are offset by a higher price and, the intermediate alternative—the compromise option is most frequently chosen under uncertainty as it minimizes losses (Simonson 1992). Firms also combine context-dependent assortments with information meant to facilitate further consumers’ choices, like information on the relative frequency with which a plan is chosen by other customers (e.g. best seller) or by individuals (e.g. influencers).

In this research, we will then explore the joint effect of context effects and social norms first on choice of subscription plans, and later on future consumption. We anticipate that i) social norms will alter extremeness aversion, and this will modify choices; ii) consumption over time will also be influenced as well as renewal. To summarize, Figure 1 shows the conceptual framework that guides this research proposal.

Figure 1: Conceptual Framework of this research project.

**Context Effects**

**Promotions Framing**

**Research Objective 1**

**Research Objective 2/3**

**3. RESEARCH PLAN AND STEPS**

In this section we report a graphical representation of the expected timing of the research activities (Figure 2).

Figure 2: Tentative timeline of the research project

|  |  |  |
| --- | --- | --- |
|   | Year 1 | Year 2 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| **Research Objective 1** |   |   |
| Literature Review |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Data Collection (Experiments and surveys) |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Data Analysis |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Paper Writing and submission to conferences |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Paper Writing |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| **Research Objective 2** |   |   |
| Literature Review |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Data Collection (Experiments and surveys) |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Data Analysis |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Paper Writing and submission to conferences |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Paper Writing |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| **Research Objective 3** |   |   |
| Literature Review |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Data Collection (Experiments and surveys) |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Data Analysis |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Paper Writing and submission to conferences |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Paper Writing |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| **Final Report** |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |

**4. FUNDING AND INTERNATIONAL COLLABORATION**

The University of Mannheim has agreed to co-fund the research grant with a participation of 7,000 € under the supervision of professor Florian Stahl (see copy of the email received by prof. Stahl in the Appendix). Prof. Stahl has contributed with several papers to the literature on pricing and intertemporal choices. In addition to co-funding the research grant, the school offers the possibility to host for short visiting period the post-doc fellow in Mannheim, in particular with the objective of conducting a field experiment

**5. PROFILE AND EXPECTED SCIENTIFIC OUTPUT**

The following is the description of the ideal characterization of the post-doc researcher profile:

* Ph.D. in Management, Statistics or Psychology.
* Background in marketing, decision sciences and statistics.
* Skills in design and implementation of surveys, experiments, and in general primary data collection.
* Skills in multivariate statistical analyses (e.g. test hypothesis, regression techniques, analysis of variance).
* Interest and previous experience in running research activities in the area of subscription marketing.
* Interest in spending a short visiting period in a European University for developing the research project.

At the end of the 2 years of the project, the post-doc fellow should provide:

* 2 papers presented in primary international marketing conferences (e.g. EMAC, ACR)
* 1 R&R in top marketing journals (ABS 4\*) or 2 R&R in leading marketing journals (ABS 4).
* A final report illustrating the results of the project and a plan of the research activity that has been completed and needs to be completed.

**6. BIBLIOGRAPHY CITED**

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**7. SELECTED PUBLICATIONS OF THE TUTOR**

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2) “Being the First Entrant and Getting Stuck in the Middle: The Risks of Becoming the Intermediate Pioneer” (with A. Zammit), European Marketing Journal (2017). (51) 7/8, 1178-1196

3) “Brand e Social Media: Alla ricerca degli strumenti più efficaci nella caccia all’engagement”, (with Sara Valentini), Harvard Business Review Italia, 2017, vol. 9, p. 102-109

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1. Global Recurring Payments Tracker: https://www.pymnts.com/tracker/global-recurring-payments-tracker-july-2019/ [↑](#footnote-ref-1)
2. https://www.oecd.org/internet/broadband/broadband-statistics-update.htm [↑](#footnote-ref-2)