Regulating Inertia in a Subscription Economy

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Abstract

In subscription-based services, the buyers remain in the subscription until they switch or cancel. Over time, the alternatives may become more attractive to the customers compared to the current subscription, or the benefit that customers get from the subscription may decrease. When this happens, a reasonable customer will switch to the alternative or unsubscribe. However, some customers fail to do so. This failure is defined as customer’s inertia. Using data from customers' statements, this study identifies inert customer behavior among monthly wireless phone line subscriptions. To address inertia, states have responded with automatic renewal laws that most of which cover only yearly contracts. Therefore, the current regulations don’t address the inertia problem in monthly subscriptions. Drawing on the marketing literature, this study proposes expanding state regulations to all subscriptions with a reminder mechanism.

Introduction

The market offers many alternatives for different types of subscriptions. When picking among different types of services, a consumer makes an initial sign-up decision after evaluating the service and comparing it with the other alternatives. Picking a subscription might not seem much different from a one-time purchase of a toaster. However, subscriptions differ from toasters with recurring payments.

Over time, the market may offer better alternatives for the customer, but the customer may fail to notice them or fail to act. Moreover, the customer may not be able to benefit from this service as originally expected.[[1]](#footnote-1) In these scenarios, a rational customer is expected to switch to the better alternative or cancel the subscription that doesn’t deliver the expected benefits. But some customers fail to do so. The customer’s failure to switch when there’s a better alternative on the market or unsubscribe when the expected benefit isn’t delivered is defined as the “customer’s inertia”.[[2]](#footnote-2)

The customer’s inertia may be observed in many different subscription-type services from health insurances[[3]](#footnote-3) to the digital services[[4]](#footnote-4). Among those, this study scrutinizes wireless phone line subscriptions for various reasons. With the advance of wireless technology, the wireless service providers offered better plans year after year.[[5]](#footnote-5) Therefore, the customers who stuck with their plan over the years ended up paying more for getting less while there are better options on the market. Second, wireless phone subscriptions are one of the most common subscriptions. Almost everyone has a cellphone.[[6]](#footnote-6) The widespread usage of cellphones not only made the data collecting phase easier but also indicates the importance of the study. Finally, the inert customer behavior is easily observable in the wireless subscriptions. The subscription statements offer clear evidence of the customers that stick with old plans.

For this study, 78 statements that represent 290 users were collected.[[7]](#footnote-7) The plans on the statements were compared to the plans that the same company currently offers.[[8]](#footnote-8) For example, the plan of an AT&T user is compared to the current plans offered by AT&T. If the current plans offer more data for the price that the customer pays, this study accepts this user as being in inertia. 198 of the 290 users are in inertia which makes 68% of all customer samples. The survey among the inert customers indicates causes of inertia that are specific to wireless phone line subscriptions. For example, the family plan structure of wireless subscriptions creates a diffusion of responsibility among the members of the group.

Currently, states try to regulate inertia in subscription-type contracts with automatic renewal laws. As of March 2021, 30 states and the District of Columbia have an automatic renewal law.[[9]](#footnote-9) Moreover, a staggering 15 bills in 12 states would enact a new one or expand an existing one.[[10]](#footnote-10) However, subscriptions fall under automatic renewal laws only if they are designed for more than six months.[[11]](#footnote-11) Therefore, neither monthly subscriptions nor weekly subscriptions are regulated by automatic renewal laws.

Drawing on the marketing literature[[12]](#footnote-12), this study proposes a state enforced service provider conducted reminding mechanism to mobilize the inert customers in these subscriptions. The reminders will not only push the customers out of inertia but will also educate them to become better customers with the long-term effects of the reminders.[[13]](#footnote-13) Currently, automatic renewal laws already use reminding mechanisms[[14]](#footnote-14) to poke the inert customers in yearly subscriptions. But many of these laws do not regulate subscriptions that have a contract term shorter than a year.[[15]](#footnote-15) Expanding the scope of these laws to all subscriptions without a time limit will lessen the inertia problem in other subscriptions.

Part I briefly discusses subscription economy and economy customer inertia. Part II provides a clear definition of inertia and distinguishes it from other explanations in the literature. Part III explores the cost of inertia. Part IV explains the reasons why wireless phone subscriptions are selected as the target market of this study. Part V states the findings of the research. Part VI recommends the reminding mechanisms as the solution for customer’s inertia.

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# Subscription Economy and Customer’s Inertia

Subscription-based consumption is increasing every day. From automobiles[[16]](#footnote-16) to groceries[[17]](#footnote-17), there has been a significant rise in the number of industries and companies that use subscription services. The increasing numbers indicate the success that the subscription system brings to businesses. The companies operating with a subscription model have grown at an 18.1% compounded annual growth rate over the last 6 years. This is 5 times faster than US retail sales.[[18]](#footnote-18)

The main area that subscription services operate is business-to-customer (B2C) services. One consulting company found that US consumers spent $237 per month subscribing to different services in 2018.[[19]](#footnote-19) Another company states that people in the US spent $20.78 per month in 2020 on online applications only.[[20]](#footnote-20) With the Covid-19 pandemic, consumers started to use more subscription services.[[21]](#footnote-21) Another survey found that many Americans plan to keep their digital subscriptions even after the pandemic.[[22]](#footnote-22) The pandemic also increased B2B subscriptions and it is estimated that it will keep growing even after the pandemic.[[23]](#footnote-23) By 2024, the B2B subscription market is set to reach $344.3 billion.[[24]](#footnote-24)

The subscription-based business model creates an ongoing relationship between the customer and the provider. This change from the traditional one-time transactions to ongoing relations requires a reevaluation of the relationships between parties.

The subscription type relationship has two stages: subscription and cancellation. In the subscription stage, the customer subscribes to the service offered by the provider. A rational customer is assumed to pick the best-suited service among the ones that are offered at the time of registration. Once subscribed, the relationship keeps going until the cancellation. Over time, the customer may lose interest in the service for various reasons and cancel the subscription.

A non-inert customer would cancel the subscription or switch to an alternative as soon as the expected benefit isn’t delivered, or when a cheaper alternative of equivalent quality becomes available, yet customers are not perfectly rational. It is well established in the economics literature that psychological effects such as present-biased preferences[[25]](#footnote-25), projection bias[[26]](#footnote-26), salience[[27]](#footnote-27), and heuristic thinking[[28]](#footnote-28) influence customers’ decision-making processes. Furthermore, customers can also suffer from asymmetrical information.[[29]](#footnote-29) There might be many other reasons that result from imperfect customer shopping subscriptions in the market. Because of these defects, an inert customer may fail to cancel the subscription that a non-inert customer would cancel.

The failure of cancellation or switching in a subscription setting is identified as customer’s inertia in the literature.[[30]](#footnote-30)

# The Definition of Inertia

First identified in physics by Sir Isaac Newton[[31]](#footnote-31), inertia also exists in human behavior.[[32]](#footnote-32) While legal scholars mainly disregarded inertia, business scholars didn’t.[[33]](#footnote-33) There are many pieces of research in the business literature regarding how businesses benefit from inertia.[[34]](#footnote-34) Some scholars even termed it “inertia marketing”.[[35]](#footnote-35)

However, there isn’t an agreed-upon definition for inertia in the business literature. The concept has been used to mean “habit”[[36]](#footnote-36), “loyalty”[[37]](#footnote-37), “status quo bias”[[38]](#footnote-38), “state dependence”[[39]](#footnote-39), “doing nothing”[[40]](#footnote-40), “dissatisfaction but stay”[[41]](#footnote-41), and “resistance to change”[[42]](#footnote-42). To distinguish among other non-action behaviors, in terms of this study, inertia means a customer’s failure to cancel the subscription or switch to another provider when the subscription either loses its value to the customer or there is a better alternative on the market with little or no switching costs. Therefore, if the customer stays on the plan for any other reason, it doesn’t count as inertia. If an annual contract, for example, prevents the customer from switching to other firms, this isn’t an issue that will be discussed in this study.[[43]](#footnote-43)

# The Cost of Inertia

To highlight the importance of this study, the consequences of inertia should also be mentioned. Inert customers do not switch or cancel their subscriptions and suffer costs. One study estimates that inertia cost over a billion dollars to the customers in California’s health insurance market only in 2018.[[44]](#footnote-44) Another study finds that individuals in a health insurance plan paid $2000 more to stay in their current plan, even though the alternative option was offered by the same firm, had identical networks, and could be switched easily.[[45]](#footnote-45)

It gets worse with the newly emerged digital subscriptions. People do not even remember what they have subscribed to. One consulting company asked people to think about their subscriptions and gave them ten seconds to guess how much they spend. After getting the initial answer, the researcher prompted them with specific examples of services and gave them an additional thirty seconds to think. The average of the first guess was $79.74/month and the second was $111.61/month, whereas the actual spending was $237.33/month.[[46]](#footnote-46)Moreover, an important part of customers stays in subscriptions even though they aren’t happy with the service and aren’t “tied down” with a contract.[[47]](#footnote-47)

# The Ideal Market for Observing Inertia: Wireless Industry

Customer misperceptions in the telecommunications sector that result in staying in the wrong plan and paying more for getting less have been established in legal scholarship.[[48]](#footnote-48) Since then, technology has advanced and a lot has changed, except for one thing: customer’s failure to purchase the right wireless service.

Many reasons make the wireless industry an ideal sector to identify customer inertia. First, subscription services are offered in the wireless industry all around the world and there is a great deal of business literature. Keeping the customer in the firm is crucial for any wireless firm. Both industry and business scholars try to discover new ways to keep the customers in the firm. Recent business scholarship specifically focuses on the customer’s inertia in the wireless firms.

In one study, a wireless service company called the customers paying more in a wrong plan and offered them better plans that would minimize the cost according to the customer’s past usage. This suggestion resulted in a 4% increase in the churn rate[[49]](#footnote-49) in the testing group compared to the control group.[[50]](#footnote-50) The authors suggest that it may stem from lowered customer inertia or enhanced sensitivity to past consumption.[[51]](#footnote-51) In another study, wireless service customers were texted by the company about a price change in the future for their plan. Even the ones that received a message for a price decrease switched to other firms.[[52]](#footnote-52) The authors named it the “poking effect” and advised the decision-makers in the industry not to disturb the customer even for a discount.[[53]](#footnote-53)

On the other hand, technology is advancing every year and to keep their plans competitive for new and non-inert customers, the firms are offering new plans almost every year. For example, a new customer who paid $100 to Verizon, bought an internet plan of 20 GB in 2016, 30 GB in 2017, 75 GB in 2019, 75 GB in 2020.[[54]](#footnote-54) If customer A gets into the 20 GB plan in 2016 and sticks with the same plan until 2020, A would have been in the subprime plan for 3 years. The constant updates in the offered plans make the wireless industry an ideal place to spot sub-prime plan subscribers and observe inertia.

The final reason that makes wireless subscriptions an ideal location to examine inertia is the unforgettable nature of wireless service subscriptions. Mobile phones are the most used devices today.[[55]](#footnote-55) This situation distinguishes wireless subscriptions from any other less salient subscriptions[[56]](#footnote-56) and makes it almost impossible to forget about the service. For this reason, if there is inertia in the wireless industry, there could be more inertia in any other subscription.

Looking through the research above, it would be expected that the wireless companies avoid initiating an interaction with the customers to keep them in inertia.[[57]](#footnote-57) The companies will not alert the customer about the new plans. But they also cannot update the customers’ plan without informing them since any material change of terms requires notification.[[58]](#footnote-58) Therefore, the company will not offer the existing customers new plans unless the customers realize on their own and ask the company to do so. For this reason, as the hypothesis of the study, there should be inert customers in the US wireless sector.

# Inertia in Wireless Subscriptions

To observe the inert customer behavior in the wireless subscriptions, several field and online surveys were conducted between April 2021 and May 2021.[[59]](#footnote-59) To abstain from the false information of the customers, only the information that is considered is from the customers that are willing to share their itemized wireless statements.[[60]](#footnote-60)

Of the 290 customers, 198 of them were in a subprime[[61]](#footnote-61) plan. This means 68% of the sample group was suffering from inertia. Although this group may not be a representative sample of all wireless users in the US wireless market, this study claims the existence of the problem but does not offer any suggestions about the size.

The customers in the sample not only suffer from inertia but also have misinformation about their current plans. None of the participants including the ones in the prime plans could accurately name their plan without looking at their statements or state correctly what their plan offers. 30 customers were assuming their plan offers less than the actual plan, while the rest of the customers stated they didn’t know what their plan offers.

Almost all of them stated that they weren’t aware that there was an update in the plans. Furthermore, 2 of the subprime users didn’t want to believe that their plans cannot be subprime since they claim they recently switched and check the statements frequently. One claiming she switched 9 months ago, realized that she switched 19 months ago after checking her statements.

Apart from the reasons that cause inertia stated above[[62]](#footnote-62), the survey indicated a few other reasons that are unique to the US wireless sector that also contributes to inert customer behavior. One reason is the family plan structure where one account can have many users on it. The structure boasts inertia in many ways. First, it creates a diffusion of responsibility. Many participants in the study group stated that they believed that their friends or family were checking the plan, although they were paying for it themselves. Second, family plans make it harder to switch to other plans especially if there isn’t a hierarchy among the users in the account. One participant stated that he wants to switch to Verizon, but his friends who are on the same family plan with him insisted on staying in AT&T. Finally, family plans create free riders in the group. The free-riders don’t want to alert the account owner about their usage and keep using the service for free.[[63]](#footnote-63)

Another factor that contributes to the inertia is the plan names. The new plan names and old plan names are significantly similar.[[64]](#footnote-64) This may be designed this way intentionally to not alert customers. During the survey, some participants with sub-prime plans struggled to understand the difference between the name of the new plan and the name of their plan, even though the difference was shown in writing.

# Pushing the Customer Out of Inertia

Libertarian paternalism is the idea that institutions can influence behavior while respecting the freedom of choice.[[65]](#footnote-65) In a free market, people can choose whatever subscription they want. However, some of them may suffer from inertia as stated above. So how can the regulators push the inert customers out of inertia while respecting happy subscribers?

Some legal scholars propose a change in the default rules of subscription service contracts. According to them, at the end of each term, the customer should be required to make an active move to stay in the subscription.[[66]](#footnote-66) A couple of states also apply that method by either forbidding contracts longer than a certain period or requiring businesses to get the customer’s consent before renewing the contract.[[67]](#footnote-67) However, these policies may turn out to be both inefficient and narrow in scope. To see how, consider the following example.

Let’s assume the customers suffering from inertia in a subscription service are 5% of the total customers, the service costs $10 per year, and the cost of making an opt-in action is $1. To save the inert customers, new default rules will force all the happy subscribers to act to stay subscribed to the service which will cost $95, whereas the total savings for inert customers is only $50. Therefore, the default opt-in rules may not be an efficient solution.

There are subscriptions with limited terms such as one year[[68]](#footnote-68) or six months, but there are also subscriptions with no contractual terms that are designed as a continuing service.[[69]](#footnote-69) The opt-in rules will force subscribers to make an affirmative action every week or month to continue services. It’ll create more cost than renewing a one-year contract and hence regulators may exclude continuing services from the default opt-in rules. Therefore, the default opt-in rules may also be narrowly scoped by applying only to yearly subscriptions.

This paper proposes a possible solution: reminding the customers about their subscription. From a theoretical perspective, reminders may help in cases of limited attention, by refocusing attention on a decision problem or task, by making specific choices or actions more salient, or by providing previously unknown information.[[70]](#footnote-70) The efficiency of reminders is widely tested in the business, psychology, and education literature.

In an experiment, where patients were reminded of their checkup dates, their show-up rate increased. [[71]](#footnote-71) In another study, when the penalty for not paying the speeding ticket was reminded, more drivers complied with the payment.[[72]](#footnote-72) There are many other proven examples of the effect of reminders such as increasing savings[[73]](#footnote-73), keeping up with loan repayments[[74]](#footnote-74), adherence to prescribed medications[[75]](#footnote-75), maintaining gym attendance[[76]](#footnote-76), quitting smoking[[77]](#footnote-77), returning books to the library[[78]](#footnote-78), and paying taxes[[79]](#footnote-79). Reminders don’t have to be explicit. Surveys can also affect behavior by reminding of an actual task.[[80]](#footnote-80)

This study proposes that the expected outcome of reminders will be a more efficient market. Once inert customers are pushed out of inertia by reminders, they will either cancel or switch. The providers will know that ex-ante and they will update their plans to the most competitive offer before the customer is pushed out by reminders. In this way, the number of sub-prime subscribers will be reduced.

One may wonder why individuals aren’t setting the reminders themselves if they are both easy and effective. A potential explanation for this is that individuals are overconfident in their ability to remember tasks that they planned to complete or they are naive about their limited attention.[[81]](#footnote-81) Besides, individuals may be present-biased and postpone the task of setting up a reminder. Interactions between limited self-control and limited attention might therefore explain why individuals do not set up reminders.[[82]](#footnote-82) Moreover, user-made anticipated reminders may have reduced efficiency.[[83]](#footnote-83)

Another question may be why private businesses don’t create a reminder system. There are private initiatives to control and reduce subscription spending.[[84]](#footnote-84) But private initiatives may not work for three reasons. First, customers may not want to give their private spending data to other parties. Financial information may be kept secret for many reasons. For example, a user made this comment about one private initiative: “I appreciate the value of a company trying to save you money but I do not like the way they do it, by linking to your bank account to see how and where you are spending your money. WAY too intrusive into my personal financial information…”[[85]](#footnote-85)

Second, private initiatives also create a cost and burden for the customers. The customers may overestimate their ability to control their subscription spending[[86]](#footnote-86) and therefore don’t want to pay the fee for the private initiatives. Furthermore, the private initiatives may create more cost than the benefit they provide. For instance, another user left this comment about a private initiative on another review website: “They switched my phone plan to a more expensive one and charged me a “success fee” of over $600…”[[87]](#footnote-87)

Finally, these services may not reach all customers. If they don’t invest heavily in advertising, a small fraction of the customers may learn about them. If they do invest, they must increase their fees to make up for advertisements which in turn creates more cost to the customers. Therefore, the market may not create a cost-efficient reminder service on its own.

Another possible question might be why the competitor firms don’t remind the customers about their inefficient subscriptions. Other firms that offer similar subscription services can poke the customers out of inertia. But they either don’t do it at all or don’t do it enough so there are still inert customers. One reason may be the “curse of debiasing”.[[88]](#footnote-88) Customers may learn to control their subscriptions or start a habit of checking the subscriptions through repetitive reminders.[[89]](#footnote-89) Once they learn, they will not want to stay with the competitor company and leave for the optimal subscription. The competitor company may not collect the benefits or suffer from its reminding activities even though it suffers the reminding costs.[[90]](#footnote-90)

Another reason is that it may be hard and costly to reach the target customer. With more and more content to pay attention to, people tend to pay less and less attention to any content.[[91]](#footnote-91) In milliseconds, competitors may not poke the customer out of inertia. Also, customers may be biased against other firms’ advertisements and overlook the ads with selective perception.[[92]](#footnote-92)

Finally, the number of firms increasing, and the intensification of marketing activities may increase the offers from other firms. But that doesn’t necessarily reduce inertia. On the contrary, more offers can increase inertia by facilitating customer procrastination.[[93]](#footnote-93)

# Conclusion

 This study aims to point out inertia in monthly subscriptions and provide a state-enforced service provider conducted reminder mechanism as a solution. Currently, regulators are trying to address the inertia problem with Automatic Renewal Laws (ARL).[[94]](#footnote-94) But none of them regulates subscription contracts that have a contract period shorter than six months.[[95]](#footnote-95) To identify the inert customer behavior in monthly subscription contracts, this study examines the wireless phone line service industry and finds around seventy percent of the participants were in inertia.

 Drawing on the marketing literature[[96]](#footnote-96), this study proposes a reminding mechanism to mobilize the inert customers but doesn’t answer the following questions. What type of reminders does work best? Should they be text messages or physical mails? What should the reminder message include? Does the monthly cost enough or should it also include yearly cost and total cost? Should it mention other alternatives on the market? When is the ideal time for a reminder in an ongoing monthly subscription? Is it every month or every six months? Although the literature suggests reminders work, it doesn’t give clear information about the optimal design of them in a subscription setting. Therefore, these questions are highlighted for future researchers to unravel.

1. For example, a consumer may assume that he would exercise regularly in the gym while signing up. However, he may end up not attending at all. At that point, a rational customer is expected to cancel the subscription. [↑](#footnote-ref-1)
2. There are other definitions in the literature for customer’s inertia. But in terms of this study, the definition is adapted from following work with minor changes: David M. Gray et al., “Inertia in Services: Causes and Consequences for Switching,” *Journal of Services Marketing* 31, no. 6 (January 1, 2017): 485–98, https://doi.org/10.1108/JSM-12-2014-0408. For a more comprehensive explanation, see Part II. [↑](#footnote-ref-2)
3. See, e.g., Benjamin R. Handel, “Adverse Selection and Inertia in Health Insurance Markets: When Nudging Hurts,” *American Economic Review* 103, no. 7 (December 2013): 2643–82, https://doi.org/10.1257/aer.103.7.2643. [↑](#footnote-ref-3)
4. See, e.g., “The Three Human Barriers To Digital Transformation,” accessed May 23, 2021, https://www.forbes.com/sites/tendayiviki/2018/09/23/the-three-human-barriers-to-digital-transformation/?sh=33316036164b. [↑](#footnote-ref-4)
5. For example, in 2017, AT&T was offering 10 GB data for $90 per month. See Jordan Golson, “AT&T Is Making Its Unlimited Plan Way More Competitive,” The Verge, February 27, 2017, https://www.theverge.com/2017/2/27/14747420/att-new-unlimited-plan-tethering-competitive. However, in May 2021, AT&T offers 100 GB data for $85 per month. See “AT&T Wireless – Latest Phones & Best Wireless Plans,” accessed May 20, 2021, https://www.att.com/plans/wireless/. [↑](#footnote-ref-5)
6. According to a research company, 97% of Americans own a mobile phone. See Media Inquiries, “Demographics of Mobile Device Ownership and Adoption in the United States,” *Pew Research Center: Internet, Science & Tech* (blog), accessed February 25, 2021, https://www.pewresearch.org/internet/fact-sheet/mobile/. [↑](#footnote-ref-6)
7. Due to family plan structure of the wireless phone line subscriptions, a statement may represent more than one user. [↑](#footnote-ref-7)
8. This method eliminated any switching costs except a phone call to the service provider. [↑](#footnote-ref-8)
9. See “Automatic Renewal Laws: Legislation to Watch in 2021,” JD Supra, accessed April 10, 2021, https://www.jdsupra.com/legalnews/automatic-renewal-laws-legislation-to-5675258/. [↑](#footnote-ref-9)
10. See *supra* n6. [↑](#footnote-ref-10)
11. See *supra* n6. [↑](#footnote-ref-11)
12. See, e.g., Eva Ascarza, Raghuram Iyengar, and Martin Schleicher, “The Perils of Proactive Churn Prevention Using Plan Recommendations: Evidence from a Field Experiment,” *Journal of Marketing Research* 53, no. 1 (2016): 46–60. [↑](#footnote-ref-12)
13. See, e.g., Alix Peterson Zwane et al., “Being Surveyed Can Change Later Behavior and Related Parameter Estimates,” *Proceedings of the National Academy of Sciences*, 2011. [↑](#footnote-ref-13)
14. See, e.g., D.C. Code § 28A-203. [↑](#footnote-ref-14)
15. For a comprehensive review, See Koren Grinshpoon, “License to Bill: The Validity of Coupling Automatic Subscription Renewals with Free Trial Offers by Online Services,” *Fordham Intellectual Property, Media and Entertainment Law Journal* 28, no. 2 (January 1, 2018): 301. [↑](#footnote-ref-15)
16. See, e.g., Marcin Szamatowicz and Joshua Paundra, “Access or Ownership? The Effect of Car Attributes and Collective Psychological Ownership on the Preference for Car Subscription Services,” *Psychological Research on Urban Society* 2, no. 1 (2019): 44–58. [↑](#footnote-ref-16)
17. See, e.g., Elena Belavina, Karan Girotra, and Ashish Kabra, “Online Grocery Retail: Revenue Models and Environmental Impact,” *Management Science* 63, no. 6 (2017): 1781–99. [↑](#footnote-ref-17)
18. See “The Subscription Economy Grows More Than 300% In The Last Seven Years,” March 21, 2019, https://www.businesswire.com/news/home/20190321005245/en/The-Subscription-Economy-Grows-More-Than-300-In-The-Last-Seven-Years. [↑](#footnote-ref-18)
19. See “America’s Relationship with Subscription Services | West Monroe,” accessed February 24, 2021, https://www.westmonroe.com/perspectives/point-of-view/americas-relationship-with-subscription-services. [↑](#footnote-ref-19)
20. Share on Facebook, Share on Twitter, and Share on LinkedIn, “Adjust: Americans Spend $20.78 a Month on App Subscriptions,” *VentureBeat* (blog), October 14, 2020, https://venturebeat.com/2020/10/14/adjust-americans-spend-20-78-a-month-on-app-subscriptions/. [↑](#footnote-ref-20)
21. See, e.g., “Many Americans More Than Tripled Subscription Service Spending Amid Social Distancing | CompareCards,” *CompareCards News & Advice* (blog), May 11, 2020, https://www.comparecards.com/blog/subscription-service-spending-triples-amid-social-distancing/. [↑](#footnote-ref-21)
22. See “Many US Adults Plan to Keep Digital Subscriptions They Started in March,” Insider Intelligence, accessed April 11, 2021, https://www.emarketer.com/content/more-than-half-us-adults-plan-keep-subscriptions-post-pandemic. [↑](#footnote-ref-22)
23. See Daniel Saks, “Council Post: B2B Subscriptions Will Grow In 2021, But Is Your Business Ready?,” Forbes, accessed April 12, 2021, https://www.forbes.com/sites/forbestechcouncil/2021/02/09/b2b-subscriptions-will-grow-in-2021-but-is-your-business-ready/. [↑](#footnote-ref-23)
24. “B2B Subscription Commerce Is on the Rise. Here’s the One Thing You…,” AppDirect, accessed April 12, 2021, https://www.appdirect.com/blog/b2b-subscription-commerce-is-on-the-rise-heres-the-one-thing-you-need-to-know. [↑](#footnote-ref-24)
25. See David Laibson, “Golden Eggs and Hyperbolic Discounting\*,” *The Quarterly Journal of Economics* 112, no. 2 (May 1, 1997): 443–78, https://doi.org/10.1162/003355397555253. [↑](#footnote-ref-25)
26. See George Loewenstein, Ted O’Donoghue, and Matthew Rabin, “Projection Bias in Predicting Future Utility\*,” *The Quarterly Journal of Economics* 118, no. 4 (November 1, 2003): 1209–48, https://doi.org/10.1162/003355303322552784. [↑](#footnote-ref-26)
27. See Pedro Bordalo, Nicola Gennaioli, and Andrei Shleifer, “Salience and Consumer Choice,” *Journal of Political Economy* 121, no. 5 (2013): 803–43. [↑](#footnote-ref-27)
28. See Nicola Lacetera, Devin G. Pope, and Justin R. Sydnor, “Heuristic Thinking and Limited Attention in the Car Market,” *American Economic Review* 102, no. 5 (May 2012): 2206–36, https://doi.org/10.1257/aer.102.5.2206. [↑](#footnote-ref-28)
29. Most of the time, customers and companies do not have the same information regarding the services. While the company has the most accurate information, the customer may suffer from informational deficiencies. That is called as asymmetric information. See, e.g., Steven A. Sharpe, “Asymmetric Information, Bank Lending, and Implicit Contracts: A Stylized Model of Customer Relationships,” *The Journal of Finance* 45, no. 4 (1990): 1069–87. [↑](#footnote-ref-29)
30. See, e.g., Gray et al., “Inertia in Services.” [↑](#footnote-ref-30)
31. See Isaac Newton, *Philosophiae Naturalis Principia Mathematica*, vol. 2 (typis A. et JM Duncan, 1833). [↑](#footnote-ref-31)
32. See Robert J. Brulle and Kari Marie Norgaard, “Avoiding Cultural Trauma: Climate Change and Social Inertia,” *Environmental Politics*, 2019. [↑](#footnote-ref-32)
33. There can be several reasons for this, such as asymmetrical stakes. Inertia matters more for firms than customers. [↑](#footnote-ref-33)
34. See, e.g., Roberto Verganti and Tommaso Buganza, “Design Inertia: Designing for Life‐cycle Flexibility in Internet‐based Services,” *Journal of Product Innovation Management* 22, no. 3 (2005): 223–37. [↑](#footnote-ref-34)
35. See Conor M. Henderson et al., “Customer Inertia Marketing,” *Journal of the Academy of Marketing Science* 49, no. 2 (2021): 350–73. [↑](#footnote-ref-35)
36. See Matti Leppäniemi et al., “Unlocking Behaviors of Long-Term Service Consumers: The Role of Action Inertia,” *Journal of Service Theory and Practice* 27 (January 9, 2017): 270–91, https://doi.org/10.1108/JSTP-06-2015-0127. [↑](#footnote-ref-36)
37. See Richard L. Oliver, *Satisfaction: A Behavioral Perspective on the Consumer: A Behavioral Perspective on the Consumer* (Routledge, 2014). [↑](#footnote-ref-37)
38. See Greta L. Polites and Elena Karahanna, “Shackled to the Status Quo: The Inhibiting Effects of Incumbent System Habit, Switching Costs, and Inertia on New System Acceptance,” *MIS Quarterly*, 2012, 21–42. [↑](#footnote-ref-38)
39. See Laura Lucia-Palacios, Raúl Pérez-López, and Yolanda Polo-Redondo, “Enemies of Cloud Services Usage: Inertia and Switching Costs,” *Service Business* 10, no. 2 (2016): 447–67. [↑](#footnote-ref-39)
40. See Li-Wei Wu, “Satisfaction, Inertia, and Customer Loyalty in the Varying Levels of the Zone of Tolerance and Alternative Attractiveness,” *Journal of Services Marketing* 25 (August 2, 2011): 310–22, https://doi.org/10.1108/08876041111149676. [↑](#footnote-ref-40)
41. See Richard Lee and Larry Neale, “Interactions and Consequences of Inertia and Switching Costs,” *Journal of Services Marketing* 26, no. 5 (January 1, 2012): 365–74, https://doi.org/10.1108/08876041211245281. [↑](#footnote-ref-41)
42. See Manjit S. Yadav and P. Rajan Varadarajan, “Understanding Product Migration to the Electronic Marketplace: A Conceptual Framework,” *Journal of Retailing* 81, no. 2 (2005): 125–40. [↑](#footnote-ref-42)
43. For example, if switching to another provider will cost $100 per year but staying in the current provider will cost $10 per month, this study doesn’t count this not switching behavior as inertia. Similarly, if the current provider provides some relational or procedural advantages and the subscriber stays in the firm because of these advantages, the behavior hasn’t been regarded as inert behavior. However, some business scholars call that relational or procedural inertia. See, e.g., [↑](#footnote-ref-43)
44. See Coleman Drake, Conor Ryan, and Bryan E. Dowd, “Sources of Inertia in Health Plan Choice in the Individual Health Insurance Market,” SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, March 29, 2021), https://papers.ssrn.com/abstract=3556857. [↑](#footnote-ref-44)
45. See Handel, “Adverse Selection and Inertia in Health Insurance Markets.” [↑](#footnote-ref-45)
46. See n18. [↑](#footnote-ref-46)
47. See n18. [↑](#footnote-ref-47)
48. See Oren Bar-Gill and Rebecca Stone, “Mobile Misperceptions,” *Harv. JL & Tech.* 23 (2009): 49. [↑](#footnote-ref-48)
49. Churn rate indicates the customers that switch to other firms. [↑](#footnote-ref-49)
50. The churn rate in control group is %6, whereas in the testing group %10. See Ascarza, Iyengar, and Schleicher, “The Perils of Proactive Churn Prevention Using Plan Recommendations: Evidence from a Field Experiment.” [↑](#footnote-ref-50)
51. See n49. [↑](#footnote-ref-51)
52. See Morten Sæthre, Bjorn-Atle Reme, and Helene Lie Røhr, “The Poking Effect: Price Changes, Information, and Inertia in the Market for Mobile Subscriptions,” SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, November 1, 2018), https://doi.org/10.2139/ssrn.3288472. [↑](#footnote-ref-52)
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54. In 2021 it’s cheaper than $100 dollars. See, “Verizon Unlimited Data Plans for Talk & Text, Now with 5G,” accessed April 13, 2021, https://www.verizon.com/plans/unlimited/. [↑](#footnote-ref-54)
55. See Author Giselle Tsirulnik, “Mobile Phone Ranked Most Used Electronic Device: Forrester | Marketing Dive,” accessed April 13, 2021, https://www.marketingdive.com/ex/mobilemarketer/cms/news/research/7473.html. [↑](#footnote-ref-55)
56. For example, a daily horoscope subscription. [↑](#footnote-ref-56)
57. That could be one reason why they stopped offering yearly contracts. “Two-Year Phone Contracts Are Now Dead at All Major US Carriers - The Verge,” accessed April 1, 2021, https://www.theverge.com/2016/1/11/10749160/sprint-kills-two-year-phone-contracts. [↑](#footnote-ref-57)
58. See, e.g., “Customer Agreement | Verizon Wireless,” accessed April 13, 2021, https://www.verizon.com/legal/notices/customer-agreement/. [↑](#footnote-ref-58)
59. A total of 1167 people are asked about their wireless subscriptions. Many of them refused show or give their itemized phone statements due to privacy concerns or they stated that they don’t have access to their statements. Due to more lines in one family account, 78 customers represent 290 users. [↑](#footnote-ref-59)
60. Except supra n. 77. [↑](#footnote-ref-60)
61. Subprime plans indicate the plans that offer less for the price customer is paying compared to the current plans that the service provider of the same customer. [↑](#footnote-ref-61)
62. See Part I. [↑](#footnote-ref-62)
63. 2 of 1167 stated that and refused to turn-in their wireless statements. [↑](#footnote-ref-63)
64. For example, At&t updated its “Unlimited & More” plan to “Unlimited Extra” plan in 2019. [↑](#footnote-ref-64)
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