Title: The Impact of Subscription Programs on Customer Behavior

Speaker: Prof. Raghuram Iyengar, The Wharton School

Area: Marketing

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Abstract:

Subscription programs are increasingly popular among a wide variety of retailers including Amazon (Prime), Barnes & Noble (B&N Membership), and Sephora (Flash). These types of programs give members access to a set of exclusive benefits for a fixed fee upfront, but what are the implications for subscription businesses and customer retention? Using state of the art machine learning methods, we find that the effect of subscription is economically significant, persistent over time, and heterogeneous across customers. Interestingly, only one-third of the effect on customer revenues is due to the economic benefit of the subscription program and the remaining two-thirds is attributed to the non-economic effect. Profitability analysis also shows that a large fraction of customers are not profitable for the retailer.

Speaker Profile:

Professor Raghu Iyengar's research interests fall in two domains: pricing and social influence. In the area of pricing, his work focuses on the impact of multi-part pricing schemes on consumer response. The success of such pricing mechanisms to extract consumer surplus depends on how consumers respond to different components. Methodologically, Iyengar has developed novel consumer demand models that capture the effect of multi-part pricing tariffs in a theoretically meaningful way. In the area of social networks, Iyengar has done work that has investigated how and why such influence may be at work. Across several studies, Iyengar has identified the underlying mechanism(s) such as awareness, social learning or social normative pressure that may be at work in different contexts. Understanding the mechanism(s) is important not only theoretically but also managerially, because which customers to target and which ties to activate using what message depends on what mechanism is at work.

Professor Iyengar's current research focuses on how subscription program change future customer behavior. His research has been published or forthcoming in *Journal of Marketing Research* and *Marketing Science*. He serves on the Editorial Boards of Journal of Marketing Research, Marketing Science and the International Journal of Research in Marketing. He is an Area Editor at the Journal of Marketing Research, Management Science and the International Journal of Research in Marketing.

Professor Iyengar's teaching interests are in the area of Marketing Analytics. He earned his PhD from Columbia University and his undergraduate degree from IIT Kanpur, India.

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