AE Report on "Monetizing Serialized Content: How 'Wait for Free' Impacts Paid and Free Consumption" MKSC-2024-0863

The manuscript investigates the impact of reducing wait times on a wait-for-free (WFF) business model on a major serialized fiction novel platform in the US. The authors exploit a natural experiment in which the platform changed wait times for a subset of books, aiming to identify the causal effects of these changes on free and paid consumption. The results indicate that quicker free consumption increases overall platform revenue, with evidence suggesting that allowing quicker free consumption can lead to an increase in paid consumption.

Two reviewers with substantial domain expertise evaluated this manuscript. Both agreed that the paper is well-written, easy to follow, and addresses an emerging business model for serialized information goods. However, they expressed major concerns regarding the theoretical contribution and the generalizability of the results. Their overall comments were remarkably consistent. After reading the paper myself, I reached similar conclusions. To avoid redundancy, I will only highlight the key points.

1.**Substantial Research Question**

a. **Theoretical Contribution:**

Both reviewers questioned the marginal contribution of the manuscript. Choi et al. (2022) has already explored the WFF model, showing that its introduction led to an increase in paid episode views using episode aggregate-level data. The authors of this manuscript claim that their focus is on the reduction of wait times rather than the introduction of WFF itself. Yet, there is no exploration on the optimal design of wait times or how the effect varies by different level of wait time cut? The authors argue that the impact of wait times on serialized media consumption is based on the key idea of complementary consumption between serialized goods. This concept was also explored by Zhao et al. (2022), who developed a structural model to estimate the complementarity consumption value of serialized goods and conducted a follow-up counterfactual analysis on different pricing strategies for serialized information goods. In comparison, this manuscript does not directly test the mechanism of complementary consumption but instead examines the overall platform revenue impact of reducing wait times. It is unclear whether this approach offers significant additional insights beyond those provided by Choi et al. (2022) and Zhao et al. (2022).

b. **Quantification of Wait Time Impacts:**
The authors propose that there are counteracting roles of immediate complementary consumption value and the decay of complementarity over time. I interpret this as the moderating role of wait times on the intensity of the complementary consumption value of serialized goods. If this is the main contribution, the focus should be on quantifying the decaying complementary effect over time. Is there a linear effect or a potentially non-linear relationship? The current manuscript does not address this relationship in detail. The empirical findings are based on a single event of wait time reduction, which limits the generalizability of the results to other regions. Alternatively, the result may simply be a local point estimate given the existing wait times on one platform. Both reviewers raised an extreme case: what if the wait time was reduced to one minute? Both the extent of the wait time reduction and the baseline of the current wait time raise questions about the robustness of the empirical findings.

c. **Mechanisms:**
I agree with Reviewer 2 that it is important to decompose the mechanisms of new customer acquisition and additional paid consumption by current customers. The authors argue that the platform's revenue increase could stem from consumers switching from no purchase to waiting to purchase due to the increased current and expected future consumption value of serialized goods. It could also result from a switch in future decisions from waiting to paying once the immediate consumption utility of serialized episodes becomes sufficiently large. While I appreciate the conceptual model, like both Reviewers 1 and 2, I find that the empirical analyses are disconnected from the conceptual framework.

The empirical event study does not provide insights into the underlying mechanisms of wait time reduction. From both theoretical and managerial perspectives, it is not surprising that reduced wait times may have positive effects. However, the more important practical question is: what are the optimal wait times? Alternatively, what are the individual, customized optimal wait times from the platform's perspective?

I suggest that the authors could either adopt a localized generalized method to show the full spectrum of the relationship between wait times and revenue impact or dig deeper into decomposing the extensive margin from new customers versus the intensive margin from current customers through a structural approach. These two directions would require different models and/or additional data sets, yet they would offer much clearer insights and differentiation from prior studies.

d. **Spillover/Competition Across Series:**
I am also curious about the potential spillover effects across different series. Given limited time and budget, does the reduction in wait times affect the willingness to pay for other series not employing the WFF strategy or not featuring wait time reductions? If the wait time reduction is expanded to a larger number of series, would we observe the same extent of revenue increase, or might the effect be bounded?

e. **Wait Time and Other Factors:**
I concur with Reviewer 1 that wait time is just one aspect of the WFF strategy. The authors might consider exploring how wait time reduction interacts with other factors, such as the selection of series or the number of initial free episodes. Incorporating one or more decision variables of the WFF strategy could help differentiate this manuscript from previous work.

f. Alternative marketing actions:

What are the other marketing mix changes along with the waiting time reduction experiment? How does the platform rank system work? Does it boost the rank of the shorter waiting time items? Is there any price promotion going together with the wait time cut promotion?

2. **Method**

a. **SUTVA:**
Both reviewers noted the possibility of spillover from the non-treated series to the treated series. This spillover is possible regardless of the small number of treated units, particularly if customers have experience with both series. What evidence is there to demonstrate that there was no customer base

overlap between the treated and non-treated series before the natural experiment? How can readers be assured that there is no competition between the treated and non-treated series, thereby avoiding a violation of the SUTVA assumption? This issue needs to be carefully addressed.

b. **Nonrandom Assignment:**
Both reviewers also expressed concern about the selection biases of the treated series. Why were certain series selected? Additionally, how were the different levels of initial wait times (e.g., 1, 12, 24 hours) determined? The question arises as to whether the observed pre-treatment characteristics are sufficient to explain the selection of treated WFF series. What about unobserved factors? Given the staggered nature of adoption, a synthetic control method with staggered adoption might better address these selection issues.

The manuscript investigates the impact of reducing wait-times on a wait-for-free (WFF) business model on a major serialized fiction novel platform in the US. They exploit a natural experiment where the platform changed wait-times for a subset of books and identify the causal effects of changes in wait-times on free and paid consumption. The results show that quicker free consumption increases overall platform revenue. Allowing quicker free consumption can actually lead to an increase in paid consumption.

Two knowledgeable reviewers with expertise in the substantial domain reviewed this manuscript. Both agreed that the paper is well written and easy to follow and that the WFF is an emerging business model of serialized information goods. That said, the two reviewers had major concerns on the theoretical contribution and generalizability of the results. The overall comments are very consistent between the two reviewers. I read the paper myself and reached similar conclusions as the two reviewers. To avoid repetition, I will only highlight the key points.

3. Minor a. Typos on p. 6. It should be a “stream” instead of “steam”.