



# *How to Tackle the Platform Paradox in Subscription Models*

The rapid rise and fall of subscription-based platforms that aggregate physical services, such as MoviePass, and the sustained but complex evolution of others, like ClassPass, are often viewed as unpredictable sagas of Silicon Valley disruption. In reality, the opposite appears to be true: Their success or failure is not random but can be predicted, managed, and designed using a clear strategic framework derived from rigorous economic theory. The core challenge these platforms face is the “Platform Paradox.” Namely, the act of entering a market as an aggregator inherently intensifies price competition, which, if left unmanaged, erodes profitability for vendors, the platform itself, and the entire industry ecosystem.

DIGITAL PLATFORMS//SUBSCRIPTION MODELS//PRICING POLICY//NEGOTIATION//SUSTAINABILITY



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The allure of the subscription platform model is its promise of aggregating fragmented services (fitness studios, restaurants, movie theaters and the like) into a single, convenient offering for the consumer. However, the path to profitability is fraught with a fundamental economic challenge that, if misunderstood, leads to ruin. Here we deconstruct the underlying economic principles that govern these platforms, translating a game-theoretical model (Gal-Or and Shi, 2022) into an accessible strategic framework for executives. We establish the foundational problem of price competition and lay out the non-negotiable prerequisites for market entry and the two critical levers of control required to build a sustainable ecosystem.

## OVERCOMING THE PRICE WAR

The very entry of a subscription platform into a market containing two or more vendors fundamentally alters the competitive landscape. By introducing a new entity that bundles competitor services, the platform becomes a third player competing for the same pool of consumers. The natural, unmanaged outcome of this dynamic is an intensified price war. The platform, seeking to attract subscribers with a compelling price point, puts downward pressure on the vendors' direct-to-consumer prices. The vendors, in turn, must lower their prices to compete with the platform's bundled offer, activating a vicious cycle. This race to the bottom can erode profits so severely that the total value of the industry shrinks, making it impossible for the platform to negotiate terms that are profitable for both itself and its vendor partners.

Many intuitive strategies to mitigate this conflict are, in fact, strategic traps. A common but flawed approach is for the platform to negotiate a simple fixed-fee payment to a vendor in exchange for access to its services. However, as the above-mentioned model (Gal-Or and Shi, 2022) demonstrates, a fixed transfer payment does not alter the marginal incentives of the parties during the subsequent price-setting stage. It is a sunk cost in the pricing game and therefore does nothing to alleviate the competitive pressure.

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An even more perilous trap is the idea of degrading the quality of the service offered through the platform. A manager might believe that by offering platform users a "lite" version of a service (such as access to only 2D movies instead of premium formats, or less desirable spots in a fitness class), this would create a clear differentiation from the vendor's premium direct offering and reduce cannibalization. Our theoretical model (Gal-Or and Shi, 2022) proves this logic is fatally flawed. When a vendor offers lower quality to platform customers, the platform's value proposition is weakened. To remain attractive, the platform is forced to compete even more fiercely on its subscription price. This intensified price competition pulls the vendor's own prices down, exacerbating the price war and destroying overall industry surplus. Our research (Gal-Or and Shi, 2022) concludes unequivocally that when negotiations are limited to only these two instruments – a fixed fee and service quality – a sustainable agreement between the platform and vendors is impossible to achieve. This establishes the central problem that any successful platform strategy must solve: It must incorporate mechanisms that actively coordinate and de-escalate price competition.

## THE NON-NEGOTIABLE FIRST STEP

Before any negotiation lever can be pulled, a platform's potential for success is largely predetermined by the characteristics of the market where it is deployed. Our research (Gal-Or and Shi, 2022) identifies two critical, non-negotiable market conditions that lay fertile ground for a subscription platform. Entering a market that lacks these characteristics is a strategic error from which it is difficult to recover.

The first condition is a high consumer appetite for variety. This is represented in the model by the variety parameter. The platform must enter markets where consumers derive a significant, tangible benefit from being able to patronize multiple, differentiated vendors. This "variety premium" is the fundamental source of new value that the platform

introduces into the ecosystem. If vendors are largely homogenous and consumers see little benefit in switching between them, the platform's core value proposition is weak, and it has little surplus to share with its partners. For example, a platform aggregating highly specialized fitness studios (e.g., one for yoga, one for boxing, one for pilates) creates more value than one aggregating generic, undifferentiated gyms.

The second, and more counter-intuitive, condition is that platforms thrive in markets with weak pre-existing vendor competition. Our model measures this with the transportation cost parameter: the higher this is, the greater difficulty or inconvenience for a consumer to switch between vendors. Paradoxically, the most attractive markets are those where vendors are not already locked in a fierce price war. Ideal markets are those where vendors benefit from "local monopoly" positions, perhaps due to geographic distance, strong local brand loyalty, or unique service offerings that make it costly for consumers to switch. In such markets, the platform's entry does not merely reshuffle existing customers. Instead, it can attract entirely new ones who were previously inactive because no single vendor offered enough value to justify a purchase. By bringing these dormant consumers into the market, the platform grows the overall economic pie, producing new surplus that can be shared, rather than simply cannibalizing the vendors' existing customer bases.

## THE TWO LEVERS OF STRATEGIC CONTROL

Once a suitable market has been selected, the platform must employ specific negotiation strategies to overcome the inherent price war. The research demonstrates that the platform must evolve from a simple aggregator into a "common agent" that actively moderates competition between its vendor partners. This is achieved by incorporating one of two powerful levers into the negotiation process. These levers are not mere pricing tactics; they are sophisticated coordination mechanisms designed to

align incentives and preserve the profitability of the entire ecosystem.

### *Lever 1: The "Variable Transfer Fee" Regime (price coordination)*

The first successful lever is the negotiation of a variable transfer fee. This is a per-customer, per-visit charge that the platform agrees to pay the vendor each time a platform subscriber uses the vendor's service. This mechanism is used in practice by platforms like MealPal, which pays restaurants a flat fee for each meal ordered through its service.

The strategic effect of this lever is profound. The variable fee directly drives up the platform's marginal cost for each transaction. To maintain its own profitability, the platform is economically incentivized to raise its subscription price. This price increase by the platform provides "breathing room" for the vendor, who can then maintain or even augment their own direct-to-consumer price, without being undercut. In the language of game theory, the variable fee acts as a "strategic complement", creating a dynamic where the parties mutually encourage each other to set higher prices. This lever effectively transforms the platform into a tool for coordinated price elevation, directly counteracting the natural tendency toward a destructive price war.

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### *Lever 2: The “Quantity Restriction” Regime (capacity management)*

The second successful lever is the implementation of a quantity restriction. In this regime, the platform and vendor agree on a specific cap on the number of platform customers that the vendor is obligated to serve within a given period. This strategy is also observed in the real world; for example, ClassPass allows studios to limit the number of ClassPass spots per class, and MealPal offers plans with a fixed number of meals per month.

The strategic effect of this lever is more direct. By capping the number of users it can serve, the platform’s market share is explicitly limited. This fundamentally changes the structure of the pricing game. Instead of three parties (two vendors and the platform) setting prices independently in an uncoordinated fashion, the quantity cap effectively reduces the number of independent pricing decisions to two. With one party’s market size constrained, the uncoordinated competition that destroys value is de-escalated. This lever allows the vendors to be confident that the platform will not flood the market and aggressively capture their customers, enabling them to maintain more stable and profitable pricing for their direct business.

A critical finding that applies to both successful regimes is that any attempt to degrade the quality of the service for platform users is a strategic mistake. The theoretical model demonstrates that for a viable agreement to be reached under either the variable fee or quantity restriction regime, the quality offered to platform users must be identical to the quality offered to direct customers. The control and differentiation must come from the sophisticated application of these price and quantity levers, not from offering an inferior product, which only leads back to the value-destroying price war. This counter-intuitive conclusion is a cornerstone of sustainable platform design.

Furthermore, the entire negotiation process is governed by the relative power of the platform and its vendor partners. Our model (Gal-Or and Shi, 2022) uses the concept of a vendor’s “outside option,” which represents the profit a vendor can

make without participating in the platform. This is a critical real-world variable. A platform cannot simply impose its terms; it must offer a deal that makes the vendors better off than they would be on their own. This means that a platform’s strategic analysis must include a realistic assessment of its potential partners’ standalone profitability. A market filled with highly profitable, independent vendors will require the platform to share a larger portion of the newly created surplus to entice them to join. This elevates the negotiation from a simple sales pitch to a sophisticated strategic partnership assessment, where understanding the vendor’s P&L is as important as understanding the customers’ desires. The failure of MoviePass offers an emblematic case of how the absence of coordination and the violation of sustainability conditions can lead a platform to collapse (Box 1).

## THE ART OF ADAPTATION

While the original MoviePass provides a stark lesson in failure, the evolution of other platforms demonstrates a remarkable convergence toward the very strategies outlined in our theoretical framework. The widespread industry shift from simplistic, unlimited subscription plans to sophisticated, credit-based systems is not a coincidence. It is a market-driven discovery of an optimal hybrid solution that masterfully addresses the platform paradox. This section of the article analyzes how successful platforms like ClassPass and MealPal, along with the resurrected MoviePass, have architected their business models in ways that align perfectly with the principles of sustainable ecosystem design.

### *The rise of the credit system: a hybrid solution*

The most significant trend among modern subscription platforms that aggregate physical services is the move away from flat-fee, “all-you-can-eat” models toward dynamic, credit-based systems. This strategic pivot can be observed across the board:

- **ClassPass:** After initially experimenting with an unlimited model, ClassPass famously shifted to its current credit-based system. Members purchase a set number of credits each month and use them to book classes. The number of credits required for a class varies dynamically based on the studio, time of day, and demand.
- **MealPal:** This lunch subscription service, which began with a simpler model, explicitly switched to a “ClassPass-like” credit plan. Meals from different restaurants and at different times are assigned varying credit values, giving users flexibility but also giving the platform a tool for managing demand.
- **The Relaunchd MoviePass:** Learning directly from the mistakes of its predecessor, the new MoviePass, resurrected by original founder Stacy Spikes, is built entirely on a tiered, credit-based system. The number of credits needed for a ticket is dynamically priced based on the movie’s popularity, the showtime, and the day of the week, with peak times costing more credits.

This convergence is the market’s implicit recognition of the theoretical framework’s validity. The credit system is a brilliant and practical implementation that simultaneously deploys *both* of the essential control levers identified in our academic research (Gal-Or and Shi, 2022): the variable transfer fee and the quantity restriction.

#### *Deconstructing the credit model with the framework*

The elegance of the credit system lies in its ability to solve the core platform challenges in a single, user-facing mechanism.

#### Credits as a “Variable Transfer Fee” (price coordination)

In a credit-based system, not all services are priced equally. A popular 5:30 p.m. fitness class at a premium studio will cost a user many more credits than a less-popular noon class at the same studio. Similarly, a Friday night screening of a new blockbuster movie costs more credits on the new MoviePass than a Tuesday matinee of

an older film. This dynamic pricing of services in credits effectively functions as a variable fee structure. It allows the platform to align the “price” a user pays (in credits) with the real-time value and demand of the underlying service. This, in turn, makes it possible to build a dynamic payout structure for its vendors. A studio earns a bigger payout for a high-demand spot filled by a ClassPass user than for an off-peak spot. This generates the crucial price-coordinating effect described in the theory. It incentivizes vendors to make their most valuable inventory available to the platform, while simultaneously ensuring that the platform and its users are paying a fair, market-driven price for it.

#### Credits as a “Quantity Restriction” (capacity management)

Simultaneously, the credit model acts as a direct and elegant form of quantity restriction. Users do not have unlimited access; they purchase a finite number of credits per month as part of their subscription plan. This immediately solves the “runaway usage” problem that bankrupted the original MoviePass. The platform’s total liability to its vendor partners for any given month is effectively capped by the total number of credits it has issued to its user base. This structure forces users to budget their consumption, making conscious trade-offs between high-cost and low-cost activities. It also prevents the adverse selection of hyper-active users draining the system and produces a predictable, manageable economic model for the platform.

The ClassPass case offers an emblematic example of how platforms translate the theoretical model into real-world negotiation and coordination mechanisms (Box 2).

## A MANAGER’S GUIDE TO PLATFORM DESIGN AND NEGOTIATION

The preceding analysis, which bridges economic theory with real-world case studies, culminates in a clear, actionable playbook for executives tasked with

## BOX 1. THE ANATOMY OF FAILURE: MOVIEPASS (2017-2019)

The spectacular collapse of the original MoviePass between 2017 and 2019 serves as a powerful, real-world validation of the theoretical framework. It was not a case of a brilliant idea that was merely ahead of its time; it was a business model structurally doomed from its inception because it violated every core principle of sustainable platform design. By using the framework as an analytical lens, we can perform a postmortem that reveals its failure was not just predictable, but inevitable.

**The “growth at all costs” model**

In August 2017, after being acquired by the data analytics firm Helios and Matheson, MoviePass reduced its subscription price to \$9.95 per month, allowing up to one film per day in nearly all U.S. theaters. The platform had no direct agreements with cinemas and paid full price for every ticket through a prepaid MasterCard. The stated goal was to rapidly expand the user base and later monetize the collected data, following the model of Facebook or Google. The strategy succeeded in terms of growth (from 20,000 to over 3 million subscribers in a year), but the underlying economics were disastrous: with an average ticket price of \$9, every visit generated a loss. The more users consumed the service, the more money MoviePass lost.

**Mapping the failure to the framework**

When analyzed through the strategic framework outlined in Section 1, the MoviePass business model presents a textbook case of what not to do. It failed on every critical dimension.

*Violation 1: Ignoring Market Conditions*

MoviePass launched nationwide with no strategic segmentation: it made no attempt to select markets based on key parameters such as supplier competition or consumers' desire for variety. The service was introduced into a highly concentrated market dominated by a few large chains – AMC, Regal, and Cinemark – far removed from the fragmented “local monopolies” identified by theory as ideal partners. These chains, backed by significant market power, saw MoviePass as a direct threat to their pricing models and future subscription programs. AMC publicly distanced itself from MoviePass from day one, cementing an adversarial relationship. Moreover, although viewers appreciated some degree of variety, the “variety premium” offered – the ability to see films across different theaters – was insufficient to justify MoviePass's massive subsidy, which ignored any preliminary analysis of market conditions.

*Violation 2: The Absence of Viable Levers*

The MoviePass model lacked the two essential strategic levers – variable commissions and quantitative restrictions – required to ensure coordination and ecosystem sustainability:

- **No variable commissions:** Instead of negotiating a transfer fee to align incentives, MoviePass did the opposite, paying suppliers full ticket price and acting as a pure price-taker in a market it was itself destabilizing.

- **No quantitative restrictions:** The “unlimited” plan, its main value proposition, was the exact opposite of a containment policy. It encouraged overconsumption by the most active – and most costly – users, generating adverse selection and rapidly depleting financial resources.

*Violation 3: The Ineffective Quality Restriction*

Confronted with mounting losses, MoviePass adopted emergency measures, including reducing service quality by excluding premium showings (3D or IMAX) and limiting users to standard 2D films. This represents a classic example of the “quality degradation trap” described by Gal-Or and Shi (2022): an ineffective strategy incapable of addressing the core economic problem and harmful to customer trust and satisfaction, as users perceived a unilateral and punitive change in contract conditions.

**The inevitable collapse**

The consequences of these strategic errors were immediate and devastating. By early 2018, MoviePass was losing more than \$20 million per month, leading to severe operational dysfunctions and frequent service interruptions as it could no longer cover payment-processing costs. To slow the cash hemorrhage, the company hid showtimes for popular films, undermining its promise of “any movie, any time,” and introduced deceptive practices to contain costs: selectively blocking high-usage customers through forced password resets and implementing a “trip wire” system to limit reservations. These practices drew the attention of the Federal Trade Commission (FTC), which opened an investigation that resulted in a settlement for unfair business practices. Within months, subscriptions plummeted from 3 million to around 225,000, and in September 2019 MoviePass ceased operations while its parent company filed for bankruptcy.

**Lessons from failure**

The trajectory of MoviePass is not the story of a misunderstood pioneer but of a platform that ignored the economic laws of its own ecosystem. The belief that “data is the new oil,” which underpinned Helios & Matheson's strategy, proved to be a dangerous fallacy: when the core business generates negative contribution margins, data cannot compensate for operational losses. The cost of acquiring data – through the subsidization of millions of tickets – far exceeded any potential revenue, demonstrating that data monetization cannot substitute for an economically viable model. Furthermore, the case confirms that adversarial relationships with suppliers amount to a death sentence for an aggregation platform. MoviePass operated without agreements and without mutual trust, using an independent payment card that excluded cinemas from the negotiation process. This choice made it impossible to create favorable conditions – such as variable commissions or quantitative restrictions – essential for long-term sustainability.

## BOX 2. THE CLASSPASS CASE: NASH BARGAINING IN THE REAL WORLD

The relationship between ClassPass and its partner studios offers a concrete example of the “Generalized Nash Bargaining Solution” (Gal-Or and Shi, 2022), which describes the ongoing negotiation between platform and providers over the division of the value generated. On the one hand, ClassPass positions itself as a powerful marketing and revenue-management tool, capable of filling otherwise empty class spots without additional customer-acquisition costs. The platform argues that, although it pays studios lower compensation than direct sales, this revenue comes from perishable inventory that would otherwise go unsold. On the other hand, many studio owners perceive the arrangement as unbalanced: ClassPass may retain 50% to 70% of the fee, with payouts amounting to only a fraction of standard prices. Some report a devaluation of their services and the cannibalization of more profitable direct memberships. As a result, many established studios with strong brand identities have chosen to leave the platform.

### Theory in action: The Nash game

This tension perfectly reflects the Nash bargaining game. Each studio and the platform continuously negotiate how to share the surplus generated through collaboration. The outcome depends on bargaining power and each party's outside option:

- A studio with empty classes has a weak outside option and accepts less favorable terms.
- A popular and profitable studio has a strong outside option and can demand better terms or exit the platform.

The continuous flow of entries, exits, and renegotiations is not a sign of instability but evidence of a dynamic market responding to incentives.

### Beyond pricing: A distributed yield engine

ClassPass's credit-based system is not merely a pricing model but a yield-management engine for a network of small businesses. Just as airlines and hotels use dynamic pricing to optimize seats and rooms, ClassPass (and the new MoviePass) uses credit values to maximize the use of perishable resources, acting as a high-tech, outsourced yield manager.

### Sustainability beyond scale

Experience shows that unlimited scalability does not guarantee sustainability:

- The old MoviePass grew rapidly and collapsed.
- The new MoviePass, now about 4% of its 2018 peak size, has returned to profitability.
- ClassPass also reached a stable equilibrium after abandoning its unlimited plan, prioritizing economic viability over “raw” growth.

The lesson is clear: for platforms with real marginal costs, the winning strategy is to rationalize the user base, not expand it indefinitely. The goal is to identify the maximum number of profitable users – not the maximum number of users overall.

### Toward ecosystem personalization

The future of the model lies in moving from aggregation to personalization. ClassPass users now book a broader array of wellness services – from massages to cosmetic treatments – signaling a shift toward holistic health and hybrid models (digital and in-person). The next competitive frontier will be intelligent personalization, with platforms evolving from “supermarkets of options” to personal wellness concierges, capable of delivering added value to both users and providers.

designing, managing, or investing in subscription platforms. This section synthesizes these lessons into a series of strategic imperatives. This is not a list of suggestions, but a blueprint for building a defensible and profitable platform ecosystem.

### *Imperative 1: Diagnose your market before entry*

The decision to enter a market should be the result of rigorous analysis, not opportunistic expansion. A platform's success is heavily contingent on pre-existing market conditions. Before committing resources, leadership must assess the two critical parameters identified in our research framework (Gal-Or and Shi, 2022).

First, assess vendor differentiation and consumer appetite for variety. The platform must create tangible new value, and this value is rooted in offering variety that consumers genuinely desire. A market of highly differentiated vendors (for example, a neighborhood with distinct yoga, cycling, and boxing studios) is far more attractive than a market of homogenous, interchangeable vendors, like generic gyms with similar equipment and classes. Conduct market research to confirm that a significant segment of the target population is very willing to pay for access to multiple, distinct service providers. Without a strong “variety premium,” the platform has no unique value to offer.

Second, assess the market's competitive intensity. Paradoxically, the most fertile ground for a platform is not a hyper-competitive market, but one that is fragmented, with vendors enjoying a degree of local loyalty or "local monopoly" power due to factors like geography or specialized reputation. In these markets (high transportation costs), the platform can grow the entire pie by attracting previously inactive customers. Entering a market already characterized by a fierce price war between a few dominant players (low transportation costs) is a high-risk strategy. It means the platform's primary role will be cannibalizing existing sales, which ignites intense conflict with vendors and requires far more sophisticated coordination levers to succeed.

*Imperative 2: Choose your control lever wisely*

Once a market is deemed attractive, the platform must be built around a mechanism that actively manages the competitive dynamics. As we have established, simple fixed-fee agreements are insufficient. The choice is between the two effective levers, or a hybrid model.

Our academic research (Gal-Or and Shi, 2022) provides clear guidance on which pure lever is better suited to which market condition:

- Use Variable Fees (Price Coordination) when: The market features relatively high competition (low transportation costs) and consumers have a high desire for variety. In this scenario, the primary danger is a destructive price war. The price-coordinating effect of a variable fee is the most powerful tool to align incentives and lift prices across the ecosystem.
- Use Quantity Restrictions (Capacity Management) when: The market features low competition (high transportation costs) and a more moderate consumer desire for variety. In this case, the main goal is to assure vendors that their core business is safe. A simple cap on the platform's market share is often sufficient to preserve ecosystem health without the need for more complex, dynamic fee structures.

However, the ultimate solution, validated by the evolution of the market's leading players, is the hybrid credit system. This report strongly advocates that for most modern platforms, a dynamic credit-based model is the superior strategic choice. It offers maximum flexibility and control by ingeniously combining both levers into a single, user-friendly interface. It also acts as a quantity restriction by limiting total monthly usage, and as a variable fee by pricing services dynamically.

*Imperative 3: Architect your pricing for ecosystem health, not just user growth*

The platform's pricing architecture must be designed from day one to ensure the long-term health of the entire ecosystem, not just to maximize short-term user acquisition. This requires a disciplined refusal to use unsustainable models.

First, reject the "unlimited" model for any service that has a non-zero marginal cost. The lesson from the original MoviePass is unequivocal: Unlimited plans create adverse selection and lead to runaway costs that will bankrupt the company. The foundation of the architecture must be a tiered, credit-based system.

Second, pricing must be dynamic. The credit cost of any given service must vary with its demand, time, and popularity. This is non-negotiable. It is the core mechanism for managing yield for vendor partners and for ensuring that the platform's revenue is aligned with the value it is delivering.

Third, vendor payouts must also be dynamic. To secure a healthy, long-term partnership, the payout structure must reward vendors for making their high-demand inventory available to the platform. A transparent system where vendors earn more for peak-time slots filled via the platform aligns incentives and turns the relationship from adversarial to symbiotic.

Finally, do not fall into the quality degradation trap. The research is clear: For a sustainable agreement, the quality of service offered to platform users must be identical to that offered to

direct customers. The platform should compete on the value of its network, its flexibility, and its convenience – not on a compromised version of the core product. Differentiation must come from the levers of price and quantity, not from quality.

#### *Imperative 4: Master the art of continuous negotiation*

Launching a platform is not the end of the negotiation process; it is the beginning. The relationship between a platform and its vendors is a dynamic, continuous bargaining game that must be actively managed.

First, know your partner's BATNA (Best Alternative to a Negotiated Agreement). This is the real-world application of the "outside option" from the model (Gal-Or and Shi, 2022). Platform managers must constantly assess the standalone profitability of their key vendor partners. The terms offered by the platform must always leave the vendor better off than they would be going it alone. As a vendor becomes more successful, their BATNA improves, and the platform must be prepared to adjust terms or risk losing them.

Second, frame the value proposition correctly. The platform's narrative to its partners is critical. It must be consistently framed as a marketing channel and a yield management tool that provides *incremental* revenue, not as a replacement for the vendor's core business. This means providing partners with clear data and analytics that demonstrate the platform's ability to fill otherwise empty spots and attract new customers who can then be converted to direct members.

Third, be prepared for churn. In a healthy, dynamic ecosystem, not every vendor will be a permanent partner. Some highly successful vendors will "graduate" from the platform, finding that their own brand and direct business are more profitable (i.e., their outside option becomes superior). This should be viewed not as a failure, but as a natural part of the ecosystem's lifecycle. The goal of the platform is not to lock in every vendor forever, but to maintain a healthy and vibrant network of partners for whom the relationship is mutually beneficial.

## MANAGERIAL IMPACT FACTOR

- **Design before scaling:** The sustainability of platforms depends more on their economic architecture than on technology.
- **Limit destructive growth:** Scaling without margin, as the MoviePass case shows, undermines profitability.
- **Select fertile markets:** Entering only markets with high perceived variety and moderate competition helps avoid price wars.
- **Adopt credit-based systems:** Credit-based models offer a balance between user flexibility and provider sustainability.
- **Use coordination levers:** Variable commissions and quantitative restrictions should align incentives, not merely set prices.
- **Negotiate continuously:** Competitive advantage stems from ongoing renegotiation with partners to maintain balance and trust.



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