

EPISODE 1543

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FT: So Money episode 1543, financial sanity in a subscription-crazed world, with guests Sunny Israni and Monica Villar, Co-Founders of lightswitch.

***MV:** The reason why subscribing is so painful for consumers really boils down to one word, and it's auto-renew. Everything that you've signed up for, it will automatically renew at the end of your prepaid cycle until you cancel."*

[INTRO]

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FT: Welcome back to So Money, everybody. I'm Farnoosh Torabi. Happy Monday. Today, we are diving deep into the world of subscriptions, which seems to have taken over everything. It's like you can't just buy one of something. You need to commit to buying that thing every month for the rest of your life. If you want to cancel that thing, well, good luck. You'll have to call customer service. You might have to give over your firstborn child. I just.

But the truth is subscriptions from a business perspective are incredibly lucrative, very popular, and play on the behavioral tendencies of us as consumers. We can't help ourselves. We love a good subscription, whether it's Netflix or a food delivery service. It used to just be utilities. But now, it's everything. Subscription-based business models are expected to top 1.5 trillion by 2025. We are contributing to this economy, but is there a better way? What kind of disruption would help us get a better handle on our subscriptions, on our financial choices?

Our guests today are working on an incredible product that promises to benefit both us and these subscription companies. Sunny Israni and Monica Villar are the Co-Founders of a new company called lightswitch. It is a payments and identity infrastructure that solves the hardest problems in consumer subscription better than anything in the market, starting with churn. Their first product is smart virtual card for subscribers, you and I, that automatically pauses our

subscriptions until the next time we need them. It's not a cancellation service. It's a pause service because life evolves. Sometimes, you don't need the thing but maybe you do in six months. Wouldn't it be nice if a service just took care of that for you and saved you some money in the meantime? Learn more at getlightswitch.com. But in the meantime, let's talk to Sunny Israni and Monica Villar.

[INTERVIEW]

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FT: Monica Villar and Sunny Israni, Co-Founders of lightswitch. Welcome to So Money. Such an important conversation we're about to have about subscriptions because everybody listening, including myself and probably the two of you, I feel like we're just in a subscription flood zone at the moment. We need all the insights and advice, and you two are the perfect guests for this. So welcome to the show.

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SI: Happy to be here, so excited.

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MV: Thanks so much for having us.

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FT: Yes. Sunny, you are no stranger to this show. You have graced the podcast in the past. You are a multi-talented serial entrepreneur. Fun fact, everybody, I quote Sunny in *A Healthy State of Panic* because in addition to bringing his entrepreneurial insights, he has an incredible personal story and journey that just pulls at your heart. Just what's the expression? It pulls at your heartstrings? Is that the right – I'm really bad at like idioms.

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SI: I think so.

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FT: You'll learn this about me. I'm – apparently, when you're the daughter of immigrants, and English was my second language, idioms make no sense, just –

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SI: They don't.

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FT: English second speakers, like it just doesn't. English is now my most prominent language, obviously. But don't ever ask me to make sense of idioms. Like why would you kill two birds with any stones? I mean, that's my thing, right?

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SI: So true.

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FT: Sorry for the digression. Okay. Sunny and Monica, you are the brainchildren of a new evolving company that I think is going to just blow up. I'm so honored that you are here to share with us the beginnings. It's called lightswitch. As I teased in the beginning, it is in the subscription space, which I was reading about when I – this figure shocked me. I mean, there's probably several figures. But this one was saying that by 2025, the subscription model industry is going to skyrocket to something like \$1.5 trillion. So with that growth, obviously, should come some disruption.

I think that's where maybe the lightswitch story arrives. Tell us. Who wants to go? Raise your hand. Who wants to tell us the story of lightswitch?

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SI: Monica, take it away.

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FT: Okay.

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MV: Sure. I mean, how much time do we have? I'll say this. I've spent pretty much my entire career in consumer subscription. I've been looking at this problem. Basically, this problem's been staring me in the face for maybe 10 years now. Farnoosh, you're absolutely right. Subscription is everywhere. Basically, all of these consumer companies, they're trying to replicate the success of enterprise software with like a SAS model of renting software instead of purchasing out, right?

Now, I think consumers are seeing that everywhere that they spend. Not just media but also education, health and wellness, grocery shopping. It's really just so ubiquitous, and it's very much the way that businesses would prefer that customers buy from them. So I think in terms of how did we get here and how do we think about what we're doing at lightswitch, it's very much subscribing is at the scale that we're seeing it today, a totally new way of buying things for everyday people and a way of buying things that today is incredibly inflexible and sometimes unfair.

What we're trying to do is really think about – I mean, I think there are things in market today like canceling subscriptions. Canceling is a complete nightmare, and we can talk about that.

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FT: It sounds so easy. Let me just cancel it. Good luck. Six hours later, you're on customer – they make you call them. Like, “How dare you?” **[inaudible 00:06:45]**.

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MV: Absolutely, absolutely. It's a total pain to cancel things. I think what we're imagining is actually a world where you can subscribe to things, and you actually don't need to cancel them. Actually, instead of making subscriptions easier to cancel, what if subscribing just didn't suck?

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FT: Well, walk me through the experience, actually. I want to know, and you have a wait list for lightswitch. It's on fire right now. We'll have the link in our show notes for those of you listening who want to be an early adopter and a first buyer. Well, not buyer but member of lightswitch. Tell us about the experience. Walk me through it.

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MV: Yes, absolutely. So in a nutshell, what lightswitch does is for almost everything that you're currently subscribed to, we automatically pause billing on that subscription when you're not using it. It's not canceled. It's just on standby, and you can come back to it whenever you want. So it's really just as easy as linking lightswitch to your subscription accounts, whether that's Netflix, Hulu, Spotify, your new subscriptions. It could be e-commerce subscriptions. Basically, lightswitch works on any subscription that's ever told you that you can cancel anytime.

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FT: Aha. Is that a majority of subscriptions? Are they that flexible?

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MV: Yes. I would say of the subscriptions that people are really familiar with, things like your utilities or your cable bill, those are actually services that you pay for postpaid or in arrears. So

basically, those are things where you're getting the bill at the end of the month. But if you think about how subscriptions work, the vast majority of everything else and all of these new things that we've subscribed to, they're actually prepaid, pay-as-you-go services. So there's actually a lot of flexibility that consumers just either don't know that they can take advantage of or just really don't have the tools to be able to take advantage of. That's where we come in.

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FT: Is it such that like, for example, let's say I have, I don't know, a month like – I don't know. Any – like a Netflix subscription or whatever, and I don't care for it anymore. I just go on to lightswitch and say, “Pause this for me.” Or how do you know the behavior? How do you know this is like the right time to pause?

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MV: Yes. So we're really getting into sort of the guts of what a subscription is. So I'll take a step back and just talk a little bit high level about subscriptions and this particular flavor of subscription that's everywhere in consumer businesses. I would say that the reason why subscribing is so painful for consumers really boils down to one word, and it's auto-renew. Everything that you've signed up for, it will automatically renew at the end of your prepaid cycle until you cancel, right?

Basically, what we're doing with subscriptions is putting more control on that auto-renew. We think that subscriptions shouldn't just be able to bill you on autopilot. It should be something where you are only paying for the subscriptions that you're actively using. So basically, the way that lightswitch works is you don't have to tell us, “Hey, I want to pause this subscription,” or, “Hey, I want to cancel the subscription.” We sort of let your usage be the thing that allows you to continue to opt into subscription. If you think about like, “What do I need to do in order to stop paying for Netflix,” just don't use Netflix.

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SI: Yes. Also, just to add on that, if you look at a lot of the alternatives in the industry, specifically one-click cancellation, a lot of those solutions that exist put the onus on people to actually think about, “Okay. Well, do I need this? Should I cancel it? Well, if I cancel it, what if I want to subscribe back to it when I have that show?” What we're really trying to do is just automate this process to reduce like decision fatigue on people and consumers.

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FT: The Consumer Finance Protection Bureau, CFPB, our friends there, they have been advocates. I mean, it's their job to consumer advocate. But I remember like with overdraft protection, right? That was something that is – it was a subscription. The banks would de facto opt you into this. The only way you wouldn't get charged is if you opted out of this actively. Now, that's been reversed, and the CFPB was like, “No, that's actually not fair. You need to put the choice in the hands of the consumer. It should not be assumed that everybody's okay with this, and that's the default.”

So there's no such thing now as like you're automatically enrolled in the overdraft protection, which, I mean, I bring this up because it's sort of – what my question, I guess, is like do you see a world where this then becomes such a problem? Because I have experienced this where I feel so frustrated like, “How dare you auto-renew me? You know well better than I do that I haven't logged into my account in 18 months or whatever.” So it's sort of like at some point, do you think there will be a law that will say you need to give more of the control back to the consumer?

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MV: I will say that from a regulatory standpoint, what we're seeing more is a lot more rules around disclosures for recurring billing relationships. So to get a bit more precise, what we're talking about, sorry for getting all nerdy, like we're getting – we're talking about we're getting –

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FT: It's So Money. I mean, this is what we do. We're nerdy like that.

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MV: Fantastic. It's basically like a negative option billing relationship. So what I'm talking about with that is no action or no opt-out implies consent for continued billing. That's effectively what that means. We know that the FTC is proposing new rules around basically all of the information that a subscription business needs to disclose and clarify to consumers in advance of signing up for this type of negative option billing relationship, where people can be aware of exactly how they need to cancel things, be very clearly aware, hey, this will continue to renew until you cancel.

FTC has also been proposing new rules about one-click cancellation, which I think like super interesting and encouraging. I think, like I said, like canceling subscriptions is a nightmare. It's not exactly the problem. We're trying to solve, I think, a slightly different problem. But it definitely is a problem, especially with the way that subscriptions work today. So much so that, I guess, yes, Farnoosh, to answer your question, we are going to see a lot more regulation around giving people more flexibility and more control to opt out of subscriptions, as long as subscriptions are defined as these renewable billing or recurring billing until you opt out.

What we're hoping to actually do is – I mean, I know that we've been talking a lot about the consumer impact of what we're doing, and that's definitely – it's definitely the thing that is most important to us, and it's why we're building this product for regular people, and it's sort of what our mission and vision is for subscriptions. But subscription businesses are also having a pretty rough time with this business model, unfortunately. So a world where consumers are very trigger-happy with that cancel button is definitely like a more difficult climate for these types of businesses as well.

There's something interesting that we've seen happen in subscriber behavior with regards to canceling. Yes, people cancel. Usually, when they cancel, it's because they were long overdue to cancel. They haven't been using it for months, and they've already wasted some money. But an interesting thing that we see is there's this growing population of people who will cancel their subscriptions. Then they'll come back to that subscription at some point in the future and sign up again.

I think we see this most of all with streaming entertainment, right? There's a new season of this hit show that you want to watch. It's on this streaming service that you're signed up for. You want to watch that. Okay. When the season's over, when you're done binge-watching, there's nothing else you want to watch there. So people are getting a lot savvier, and they're canceling that subscription, which, again, very scary for that business. But the reality is that that customer is going to come back again. So what if there's a version of subscribing that actually accounts for that behavior and actually works with that, instead of forcing people to jump through hoops to actually pay for these services and pay the fair price, in our opinion?

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FT: Right. Would you rather have a cancellation or maybe a pause? During which time, you can still communicate with this user. You can still send them promotions and emails and keep them warm. Yes, it sounds like a real win-win-win. So like a lot of financial startups, there's always like a next level. Companies that start with one offering and they're very focused in the beginning. I remember SoFi, for example. It was all about student loan debt consolidation. That was like their – what they were known for for the beginnings. They were very successful at that. Once they established trust, they went on to create more solutions in the financial sector.

As you think about growing, what are the other solutions that you think may be tangential to this? Or once you do have a robust audience that trusts you, and it's like what else you got? I mean, it's going to be inevitable. I know. I mean, it's a good problem maybe. But like where else are you thinking? What are some other problems that you want to solve?

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MV: Yes. Fantastic question, and I'll try to be as vague as possible.

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FT: I know.

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MV: No. No problem. No problem.

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FT: I can't make my entire audience sign a non-disclosure agreement. That would be really difficult but –

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MV: No, no, no. From the buyer or the consumer's point of view, I think subscription is really – it's a unique type of spend where we think it's unlike other types of spending, where say like for personal finance apps, there's a lot of help that people can get in education and sort of flexibility or tools that help them sort of spend better across the board. I consider us really specialists in subscription. The thing about subscription is that there really is just one simple solution. There is sort of a way to approach it that's actually right for everyone.

I think on the consumer side, we really just have a strong desire to make subscribing a non-issue for consumers. I think for us, like I was saying before, we want to make subscribing not suck. We don't necessarily – we're not in the business of canceling subscriptions. We're in the business of, hey, this is our new reality. Everyone subscribes to things. Subscriptions can be a really valuable way for people to spend their money well, and we want to actually make that universe of services as accessible and as fair and flexible and convenient for consumers as possible.

On the other side, for subscription businesses, having been someone who's been on this side of the table, running a subscription business, it's really, really attractive. It's very lucrative. It's really hard. It's getting harder and harder. Now more than ever, what we're seeing, subscriber growth is slowing. Subscriber acquisition costs are rising. Like we said, churn is accelerating at this really unexpected pace that is kind of throwing this whole business model out of whack.

While we think about the problem that we're solving today as fundamentally thinking about what's this new, what's this modern version of subscribing that actually is a win-win for

businesses and for customers. But then also, what's everything that those subscription businesses need to think about and how they need to operate in order to be sustainable and scalable in the long term? That's really where we think that there's a whole other can of worms of problems that we can solve and that we're actually very uniquely positioned to solve because we are at the heart of the heart of their business, which is their subscribers.

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FT: Yes.

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SI: Yes. I think what we see, we envision this world where the consumer is able to subscribe to everything, but only pay for the things that they actually use. So we see a world where consumer can subscribe to all these streaming services, for example, and have their personalization, have all their recommendations in check but only pay for the things that they use month by month. That's kind of the world that we're trying to bring to fruition.

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FT: Lightswitch, I want to remind everybody the name of the company. I think this – your company is exemplary of other companies that I remember because I've interviewed so many startup CEOs. The ones that have gone on to be extremely successful, it usually starts with this nugget of wisdom of like what is a behavioral hurdle that we – a lot of us have in personal finance, where we're sort of running up against the establishment. The way that the financial institutions and establishments are functioning and are taking our money is not congruent with sort of like the way that we behave and what we lean towards.

I remember like the CEO of Digit came on in the early, early days. Digit is an app where it helps you save incrementally. It uses bots to track sort of like how your company is tracking your behavior and your usage of subscriptions. They are tracking your cash flow in your checking account and then would nudge you to save like five dollars here, three dollars there because that's what works for people. This idea of having to save for retirement is overwhelming. So they

broke it down. They realized, as human beings, we like – we thrive on small wins. We feel like – and that's why subscriptions are popular because like, “I can do \$10 a month.”

With that, they were able to save people who use it like billions of dollars over the course of the many years they've been around. But it started with this understanding of how the mind works, which is I see parallels in how you are thinking about your business. So I'm in. I'm all in. What can I do to help?

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SI: Also, just to add on that point, Digit's an interesting example, just from a personal finance perspective. The way that we see lightswitch is – obviously, I've been in personal finance for a long time. We see lightswitch as we're building part of the next generation of financial tools, where it goes beyond just like education and awareness, but rather like giving ways to reactively protect people's money and people's finances. That's kind of how we see our role in just this evolution of personal finance.

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FT: Just to pull the curtain back a little bit for our listeners, I know that, Sunny, this is not your first rodeo. You have been starting businesses probably since you were a little kid, like in your head. Then when you're older, you have resources. You were doing it. As you mentioned, Monica, you have been immersed in this subscription world for a majority of your career. I mean, like a great combination of co-founders here.

But behind the scenes, I mean, tell us a little bit about some of the hurdles. I know, Sunny, you and I were talking off camera, off recording about how you are a professor at Columbia Business School and how that has actually been wonderfully helpful in your pursuit of entrepreneurship in unexpected ways. It's providing you with network. But also, it's providing you with connections and networking, but also the confidence that sometimes you need when you are – it's a lonely journey. But luckily, you have the two – you have each other. But I know even that can be hard. Tell us a little bit about some of the challenges you've overcome and how you're doing it behind the scenes, emotionally.

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SI: Yes. I mean, on the point of being a professor, I mean, I highly recommend any founder who is trying to solve a very challenging problem and is inevitably going to hit setbacks to pursue some activity on the side that gives them confidence, whether it's mentorship or teaching, because you need to remember why you're so great, right? There's nothing better than – for me, like nothing better than walking into a lecture hall and teaching incredibly smart students on a really important skill that everyone's like excited about. So I highly recommend that.

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FT: I love that story. Monica, would you say that your level of interest in subscriptions is at the obsessive level at this point because –

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SI: I'm going to say yes to that.

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FT: A healthy obsession. A healthy obsession.

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MV: Yes, yes. I mean, I didn't have the same path into entrepreneurship that Sunny did. I think this is really just, like I said, like a problem that's been driving me insane for 10 years. It's something that lightswitch really grew out of what kind of felt like an after-school extra credit project that just took over my life. I think it's just like very – I think like through whatever the ups and downs of being a founder, I think the thing that personally really motivates me is actually talking to people about this problem. I think like I feel very lucky, unfortunately, because everyone has like a subscription horror story. It's something that it's just one of those things that's just a part of daily life.

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FT: Oh, yes.

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MV: In a past career, I worked in marketing, in advertising. I think the thing that I loved so much about that work is that you're really dealing with the everyday problems of normal people that at a universal scale are tremendous. I think that's also what really draws me to this problem is that it's probably – it's a frustration that flies under the radar for most people. I'll occasionally – I'll light \$20 on fire, and I have no other solution. I have no – what else am I going to do? Not worth my time. But at scale, again, it's billions of dollars of wasted money. It's billions of dollars of opportunity if you can think about a better way to do this.

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FT: Yes. I was reading a report. I'm sure you've come across it. I was just Googling about subscription and the trends and Ryder E-commerce by Whiplash. I don't know who they are, but I'll send you the link. It was really interesting. You know all these insights, but I just want to share because what you're saying I hear echoed in this report that, one, it is a pain point and more now than ever because of inflation is pushing consumers to reconsider their subscriptions.

I mean, I know that inflation is sometimes cyclical, but I don't know. I try to be optimistic about – I mean, I know inflation has come down. But then it's going to go up again. I mean, look at like – climate change has that impact on prices, right, and every – like wait till the fall when there's like, unfortunately, maybe more storms. We're already experiencing in the summer now like heat waves and fires. That destroys natural resources, which then is what we need to create products and services and food, and all that's going to get more expensive. Anyway, getting off that soapbox.

But also, in this report something you mentioned echoed is that flexibility is the key to retention. That's the public service announcement for these companies that have subscription models is

that you've been winning for a long time with your rigidity and thinking, betting that making it difficult will mean that people will just give up and just subscribe forever. But humans are resilient. You forgot that humans are survivors. If I have to call customer service to save \$25 on next month's subscription because I realized that for the past eight months, I have been charged to no avail, I'm going to do it. I'm going to clear my schedule because now, it's not about the money. It's about the principle.

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SI: Yes, yes.

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FT: It is about the principle. How dare you? But if you give me flexibility, if you say, "Hey, you can freeze your account for six months or three months or come back whenever you want. No harm done," and then maybe you'll throw in a discount for me to rejoin, like now we're talking. Now, you're talking my language. So I think this is, again, a great idea, a phenomenal idea. I'm so honored that you decided to come on So Money to share the behind the scenes with us at this early stage.

Speaking of early stage, how are you funding this? Along the same lines, like I assume some of this is maybe venture or whatever. But like what's that market like? Is it soft? For an idea like yours, I feel like you should have a lot of choices, a lot of yeses in the room.

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MV: Yes, thanks. We have raised a small amount of money. I think right now, we've just been focused on building the business. We've been able to get the product. Yes, there's a wait list right now. We have it in a very closed beta. But, yes, I think for early stage, the market has not totally cooled. It's definitely not what it was maybe 18 to 24 months ago. I think it is sort of an environment that's putting a lot more of an onus on founders to really show the goods, to be able to make progress and be able to show what they can do without the promise of venture funding.

We've been pretty fortunate to have some like very like really, really great first investors, early investors. I think that's just sort of – it's funny because I think that's always been our mentality. Maybe I think all three of us have immigrant parents. I think they're just used to – we're used to just grinding it out and like making it happen and –

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FT: No excuses. What excuses do we have? Do you know what our parents sacrificed to get us to this point? Oh, you didn't get the venture capital. Boo-hoo. Okay, next. Move on. Make another pitch.

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SI: Yes, yes. It's so true. Yes.

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FT: I'll paint your deck. Get back out there.

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SI: On the point of like this environment and the slight cooling, we look at this as an opportunity. It cuts out the noise. It cuts out the bloat. In these types of environments, you see the most valuable talented companies come out of it. If you have a good product that speaks to an audience in a really compelling way, you will be successful. So this is an opportunity. Yes.

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FT: I love it. I love the energy. Sunny, as I mentioned, you've been on the show before. Every time, I just admire so much your fortuitiveness. You're going to get it done. You are quick to pivot. I have no doubt this is going to transpire and be successful. I mean, and even if it's not what we're talking about today, it will be something else. Successful and exciting because, I

mean, if no one else, who else but you two? I mean, if you guys can't do it, where does that leave everybody else, seriously, seriously? Tell us, again, how to sign up. Of course, the link will also be in the show notes, but give it to us.

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MV: Sure. You can sign up at www.getlightswitch.com.

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FT: Getlightswitch.com. Monica, pleasure to meet you. I mean, Sunny has sung your praises, and it's a delight to be able to meet you and, also, at the same time introduce you to our audience. Sunny, of course, you know I'm your biggest fan. Getlightswitch.com. Congratulations to the both of you. No doubt, more to come. Come back anytime with updates.

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MV: Awesome. Thanks –

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SI: Yes, it was a pleasure. Thank you so much, Farnoosh.

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FT: Anytime.

[END OF INTERVIEW]

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FT: That's our show for today. Thanks so much for listening. On Wednesday, we're going to be in conversation with Chriselle Lim, who is a beauty, fashion, and lifestyle entrepreneur, talking

about building out her content business or influencer business, but also her recent divorce and the financial fallouts of not having a prenup. Important stuff to learn.

Remember, I'm putting together my Panic Posse. If you want to help me on my journey to bestseller status with *A Healthy State of Panic* and just have a good old time with the launch, I would love to invite you to join Panic Posse. The link for joining is in our show note. Thanks so much for tuning in, everybody. I hope your day is So Money.

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