

# TO PAY OR NOT TO PAY: TAXONOMY OF FREEMIUM BUSINESS MODELS AND USER ARCHETYPES IN THE MOBILE GAME MARKET

## BASIC RESEARCH QUESTION

Which business models are freemium and which are not?

## KEY PAPER(S)

Jiménez, F.R., E. Voss, K., & L. Frankwick, G. (2013). A classification schema of co-production of goods: an open-systems perspective. *European Journal of Marketing*, 47(11/12), 1841-1858.

Huang, H. C. (2016). Freemium business model: construct development and measurement validation. *Internet Research*, 26(3), 604-625.

## MOTIVATION/ PUZZLE

Freemium business model is becoming increasingly relevant. From mainstream online news media to big hit games such as Pokémon Go, the nature of its practice is developing rapidly and showing seemingly unlimited application. It is a radical departure from the traditional premium business model in which consumers must pay to use or play. Additionally, it is also rapidly generating business model innovations to monetise their product. However, not enough papers made an effort to discuss much less formally define the freemium business model.

## THREE CORE ASPECTS OF ANY EMPIRICAL RESEARCH PROJECT

### THE IDEA

The central idea of this paper is to perform a comprehensive taxonomy of freemium business models and user archetypes by developing classification schemes for both. This conceptual paper aims to clarify the definition of freemium business models. Additionally, we seek to analyse key features of different freemium business models and organise them into a classification schemata. Our paper offers and tests no hypothesis but examines the current definition of freemium business models. We want to start an academic discourse on which business models are Freemium and which are not. Furthermore, we distinguish corresponding archetypes of freemium users and identify their specific consumer behaviours.

### THE DATA

Since the proposed paper is conceptual in nature, no empirical data is required. The goal is to develop a classification scheme of the freemium business model. The time frame is before March 2017, so new business models that emerge after that timeframe will not be considered in the taxonomy.

### THE TOOLS

The primary tool for this paper is the logical partitioning approach, as used by Jiménez, Voss and Frankwick (2013) to classify the co-production of goods. This procedure employs a deductive approach to systematically specify, to identify characteristic properties and to label different categories of a concept accordingly. Logical partitioning is appropriate because it assumes that the number of classes is limited and some knowledge about the objects already exists (e.g. academic literature). The logical partitioning is superior because its classification schemes are more generalisable than the grouping procedure, its alternative approach. The grouping method can be more robust to classify objects in a specific database, yet practitioners might not be able to apply the result beyond that particular database. Since the aim of this paper is to develop a formal definition for a broader context of applications, the logical partitioning approach is more appropriate for this study.

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## TWO KEY QUESTIONS

### WHAT'S NEW

This paper classifies the freemium business models based on two criteria: the source of revenue and the explicitness of the monetisation strategy. By proposing that freemium apps should provide full functions for free while offering monetised options for additional features, this taxonomy excludes free trials or "lite versions" as they don't provide full functions in their apps. This study identified six types of freemium, five types of in-app purchases and also expanded existing user archetypes to include two types of free users. Based on this taxonomy, the paper further conceptualises a freemium framework with a less distinct boundary between free and premium status. Thus visualises a more dynamic and non-linear user flows in the freemium business model.

### SO WHAT

This taxonomy aims to provoke more scholarly discussion on what is freemium and what is not. Even though this proposed taxonomy is based on the mobile game market, the intention is to make it applicable to a wider scope. Researchers interested in studying freemium business could use the taxonomy to support their theory development and empirical research designs. Additionally, this taxonomy will facilitate decision-makers and practitioners in developing a more innovative freemium business model by highlighting possible service offering and alternative revenue stream.

## ONE BOTTOM LINE

### THE CONTRIBUTION

This paper critically reviews the current definition and perhaps redefines what is considered as a freemium business model. This paper also proposes a taxonomy that facilitates further studies on firm and user behaviours in freemium business models. This taxonomy will be useful for practitioners wanting to adopt the freemium business model. Insight from the classification process may generate the future direction of marketing research on freemium business models.

### OTHER CONSIDERATIONS

Target Journal(s): This pitch is proposing a paper that aims to publish in the *European Journal of Marketing* (Tier A\*) or the *Electronic Market* (Tier A). Overall risk assessment is "negligible".