

Gaining More with Less: Investigating the Effects of Sales Promotional Strategies in the Freemium Context through Field Experiments

Yashar Bashirzadeh
Rennes School of Business
J. Andrew Petersen
Pennsylvania State University
Corinne Faure
Grenoble Ecole de Management

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Abstract

Freemium apps, which can be used free of charge, rely on in-app purchases as a major source of revenues. Because the share of in-app purchasers is typically low, apps often rely on sales promotions to induce users to make in-app purchases. Using large-scale randomized field experiments in cooperation with a game app, we compare the effectiveness of two promotional strategies (price discounts, i.e., regular quantity of digital goods at a lower price (PDs) and bonus packs, i.e. higher quantity of digital goods at the regular price (BPs)) on user purchase, conversion (i.e. free turned paid), virtual good consumption, and retention. We find that, in the short-term, PD greatly outperforms BP with regard to purchase instance, conversion, and virtual good consumption. In the long term, we find a slight negative effect on retention in the PD group compared to the control group. We discuss managerial and theoretical implications of our findings.

Keywords: *price discount; bonus pack; freemium conversion*

Track: Pricing & Promotions