

Pinch Points: Investigating the Effects of Multi-level Effort-reward Program Designs in the Freemium Game Context through a Field Experiment

Yashar Bashirzadeh
Rennes School of Business
J. Andrew Petersen
Pennsylvania State University
Ali Nadalizadeh
Turned On Digital

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Abstract

Multi-level effort-reward programs (MLERPs) are programs with multiple levels where users exert effort to receive rewards for each subsequent level. MLERPs are found in many marketing contexts including loyalty programs, gamified services, and games. Traditional MLERPs use an exponential effort design, i.e., the effort required to achieve each subsequent level follows a gradually steeper slope. We propose a MLERP design called pinch point where the customer follows an exponential effort design with a gentler increase in slope for a few levels (e.g., 4 levels) followed by a steep slope for one level, where the total effort required for each set of 5 levels is the same as the exponential effort design. We empirically test these two MLERP designs with a large-scale randomized field experiment in the context of a freemium game app. We find the pinch point design substantially improves conversion of free-to-paid users, in-app purchase amounts, and user retention.

Keywords: *program design; effort-reward; freemium conversion*

Track: Digital Marketing & Social Media