

How to retain paying users on a freemium platform? An empirical analysis of factors that lead to subscription cancellation

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Abstract

With increasing digitalization, digital platforms and freemium pricing models are becoming more important. To establish a successful freemium business model in the long term, it is important to understand the factors that influence user churn. A logistic regression is performed to clarify which factors influence the cancellation probability. The empirical analysis is based on data from 20,319 paying users of a freemium platform. Among other things, the study shows that the cancellation probability is greater if the paying user has chosen a shorter subscription. Users who have already terminated their subscription before their current one are also at greater risk of churn. Premium users with high levels of involvement are less likely to quit. A high user activity is also negatively related to the cancellation probability. Freemium providers can use this information to predict cancellations and take appropriate action.

Subject Areas: *Consumer Behavior; Electronic Commerce and Internet Marketing*