

Chapter 10

Price Management on Global Digital Subscription Services Using Freemium Business Model

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ABSTRACT

E-commerce definitions allow us to understand the digital environment beyond a simplistic view of packaged products being delivered to one's home. Content, services, and experiences digitalization also became consumption options, having strong representatives such as Netflix, Spotify, and LinkedIn, among other digital services with revenue coming from recurring payments, here referred as digital subscription services (DSS). Freemium business model has gained prominence in recent years, although much of the literature considers it under a dualistic view (free vs. paid version), though there's no impediment to more than one paid version (levels). Taking advantage of the global reach, freemium DSSs usually have standardized purchase options (number of paid versions and benefits of each), turning the flexibility to set local prices fundamental to adjust the paid version(s) value perception according to the economic, market, and consumer expectations in each market. This chapter proposes price positioning strategies in global freemium DSSs, having Cutler and Sterne's conversion digital consumer lifecycle model in the background and potential scenarios in premium levels management based on the premise of price flexibility for local adaptations. Such proposals will allow global freemium services' managers to make price adjustments according to the analysis of the consumer distribution among service's paid versions, and to future studies to seek a possible quantification of the price change due to the asymmetry of consumers' distribution.

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INTRODUCTION

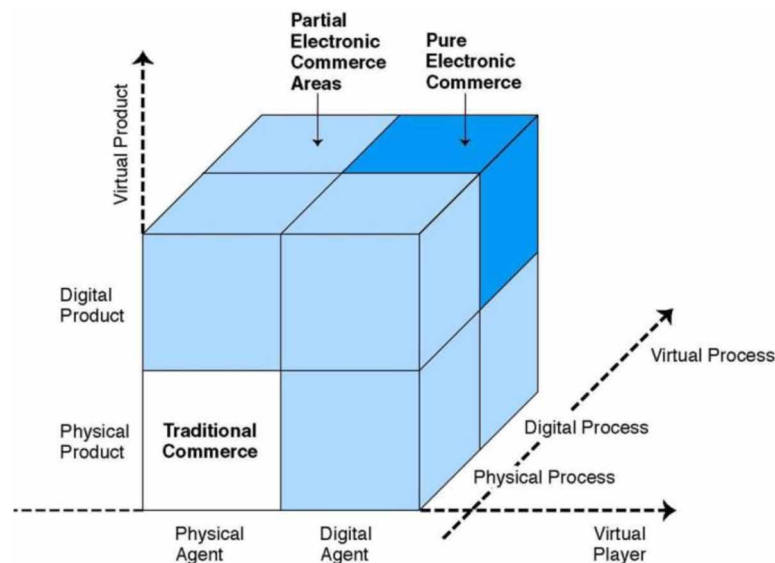
In e-retail, the definitions for e-commerce consider a wide range of goods and services marketed in electronic media. The International Organization for Standardization (ISO), for example, defines e-commerce as “the generic term for the information exchange between companies and between companies and consumers”; the Global Information Infrastructure Committee (GIIC), “Economic activities using electronic means of communication through which people can buy products, promote goods and solve problems” (Qin, 2010, p.7). Turban et al (2017, p.7): “using the Internet and other networks (e.g. intranets) to buy, sell, transport or exchange data, goods or services”; Delone and McLean (2004): “using the Internet to facilitate, execute and process business transactions”.

What all definitions allow, in general, that e-commerce goes beyond the sale of tangible products delivered to the buyer, coherent with the e-commerce dimensions presented by Choi, Stahl and Whinston (1997), and opening space to discuss peculiarities about digital services management, from the point of view of electronic retail. For this paper, e-retail is focused on global services that use the freemium business model.

DSSs (Digital Subscription Services), which include Software-as-a-service (SaaS) offers, represent what is identified by Choi, Stahl and Whinston (1997) model as *pure electronic commerce*: a digital good (intangible and accessible by digital means), sold in a digital channel (the commercial transaction is carried out in a digital medium) by a digital agent (the exchange of values takes place in the digital medium). Specifically, in the case of DSS, we have the delivery of content or experience on a recurring consumption, with periodic charges for this use through subscriptions, until the consumer decides to cancel the service. Services like Netflix, Spotify, Dropbox, LinkedIn, Microsoft Office Online, among others, are practical examples of this category of services.

Figure 1. E-commerce dimensions

Source: Choi, Stahl e Whinston (1997)



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