Customers' Retention on Freemium Platforms
– An Empirical Analysis of the Factors Influencing the Termination Rate

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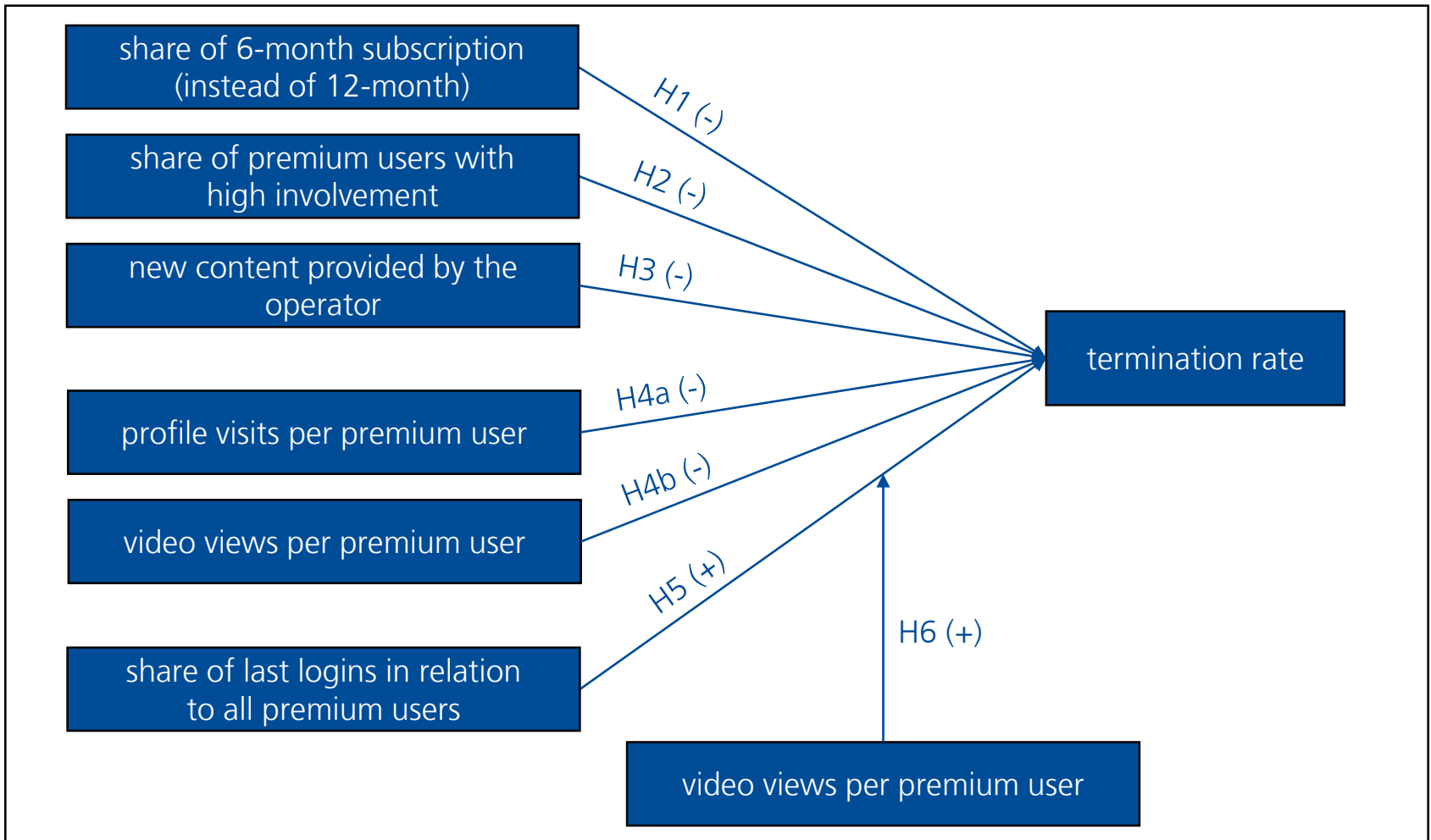
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Research Question

How premium users' termination can be influenced on freemium platforms?

Hypothesis and Research Model

Empirical Analysis

- data from a freemium platform

  (on information about horses for sport and breeding)

- data source: international publishing company

- **data** from 2015 to 2021

- only premium users can view the **videos** and all **results**

- weekly data aggregation (i.e. termination rate per week)

- …

Empirical Analysis

independent variable	hypotheses	std. path estimate	p-value	hypotheses review
share of 6-month subscription (instead of 12-month)	H1 (-)	-.337	< .001	**Yes**
share of premium users with high involvement	H2 (-)	-.396	< .001	**Yes**
new content provided by the operator	H3 (-)	-.165	=.033	**Yes**
profile visits per premium user	H4a (-)	.501	< .001	No
video views per premium user	H4b (-)	.138	= .114	No
share of last logins in relation to all premium users	H5 (+)	-.186	= .030	No
video views per premium user X last logins	H6 (+)	.325	=.004	**Yes**

Implications

What platform operators should be aware of...

...in the short term?

- allow shorter contract terms
- increase the users' involvement
- update their content frequently

...in the long term?

- analyze last logins ex post (to identify patterns to predict behavior)
- analyze the moderating effect of video views per premium user **and** last logins

→ in weeks with many video views (= premium content) **and** last logins, the termination rate is high

Implications

What researcher should be aware of?

– weekly aggregated data can be used to analyze baseline information on factors influencing the termination rate

– contract period, users' involvement, and actual content are influencing the termination rate

– joint effect of video views and last login may help to identify behavior patterns

Conclusion

– shorter contract terms should be offered

– involvement should be enhanced (i.e. due to individual profiles, recommended content lists, …)

– content must be as up to date as possible

– profile views and last logins should be observed for long term

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Comments, Proposals or
Ideas for Collaboration?

→ Contact Me!

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