How Much Content Should Be Paid? Managing Freemium Along the Customer Journey

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Abstract:

A primary challenge for providers of information goods (e.g., news websites) is to convert visitors into subscribers as well as to retain these subscribers beyond the initial subscription purchase decision. Subscriptions typically grant access to paid content which is otherwise locked behind a paywall. As such, the user's valuation of the subscription is highly influenced by the share of paid compared to free content on offer. However, this share of paid content might matter differently depending on both the user's subscription status and interest in different content categories. In this paper, we assess how much the share of paid content matters for subscription purchase and churn decisions and conduct a comprehensive analysis encompassing both the pre- and post-purchase stages of the customer journey. We use a novel dataset from a major news website which captures the entire individual customer journey for more than thirty thousand visitors and subscribers in July and August 2017. Our results reveal that in the pre-purchase stage, a higher share of paid content in categories that interest the user exhibits a positive relationship with initial purchase probability, but only up to a certain turning point. Meanwhile in the post-purchase stage, more paid content in categories of interest is negatively related to churn probability. We discuss the implications of these findings for uncovering important customer segments and for targeting them effectively.