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

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Research Question

How premium users’ termination can be influenced on freemium platforms?
Hypothesis and Research Model

- Share of 6-month subscription (instead of 12-month)
- Share of premium users with high involvement
- New content provided by the operator
- Profile visits per premium user
- Video views per premium user
- Share of last logins in relation to all premium users

Factors:
- H1 (-)
- H2 (-)
- H3 (-)
- H4a (-)
- H4b (-)
- H5 (+)
- H6 (+)

Termination rate

Video views per premium user
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

<table>
<thead>
<tr>
<th>independent variable</th>
<th>hypotheses</th>
<th>std. path estimate</th>
<th>p-value</th>
<th>hypotheses review</th>
</tr>
</thead>
<tbody>
<tr>
<td>share of 6-month subscription (instead of 12-month)</td>
<td>H1 (-)</td>
<td>-0.337</td>
<td>&lt; 0.001</td>
<td>Yes</td>
</tr>
<tr>
<td>share of premium users with high involvement</td>
<td>H2 (-)</td>
<td>-0.396</td>
<td>&lt; 0.001</td>
<td>Yes</td>
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<tr>
<td>new content provided by the operator</td>
<td>H3 (-)</td>
<td>-0.165</td>
<td>= 0.033</td>
<td>Yes</td>
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<tr>
<td>profile visits per premium user</td>
<td>H4a (-)</td>
<td>0.501</td>
<td>&lt; 0.001</td>
<td>No</td>
</tr>
<tr>
<td>video views per premium user</td>
<td>H4b (-)</td>
<td>0.138</td>
<td>= 0.114</td>
<td>No</td>
</tr>
<tr>
<td>share of last logins in relation to all premium users</td>
<td>H5 (+)</td>
<td>-0.186</td>
<td>= 0.030</td>
<td>No</td>
</tr>
<tr>
<td>video views per premium user X last logins</td>
<td>H6 (+)</td>
<td>0.325</td>
<td>= 0.004</td>
<td>Yes</td>
</tr>
</tbody>
</table>
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

– …
Comments, Proposals or Ideas for Collaboration?

→ Contact Me!

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