

***IMPLEMENTATION
OF FREEMIUM
BUSINESS MODELS:
CASE STUDY OF HP
PHOTO CREATIONS***

Don Sciglimpaglia
Fred Raafat



SAN DIEGO STATE
UNIVERSITY



Freemium – A Success Story

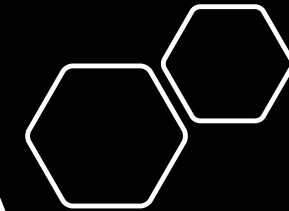
As a disruptive business model, freemium has been the driving force behind many successful startups and \$billions in value creation



PANDORA

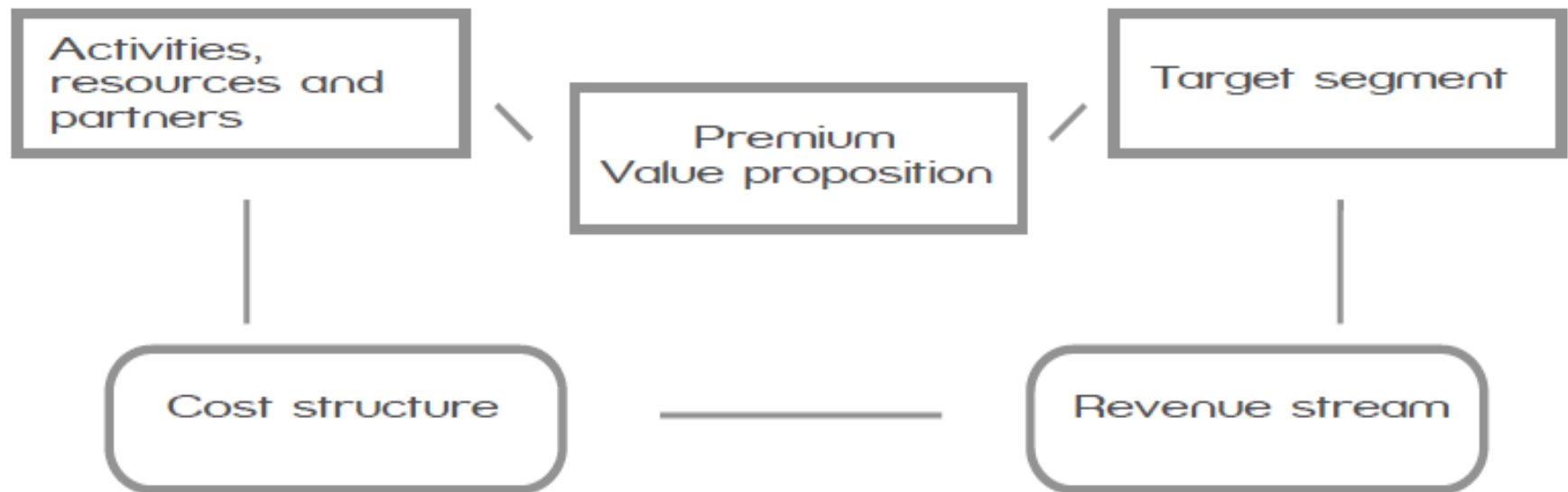


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Basic Elements of a Business Model

Traditional Business model



Add-on

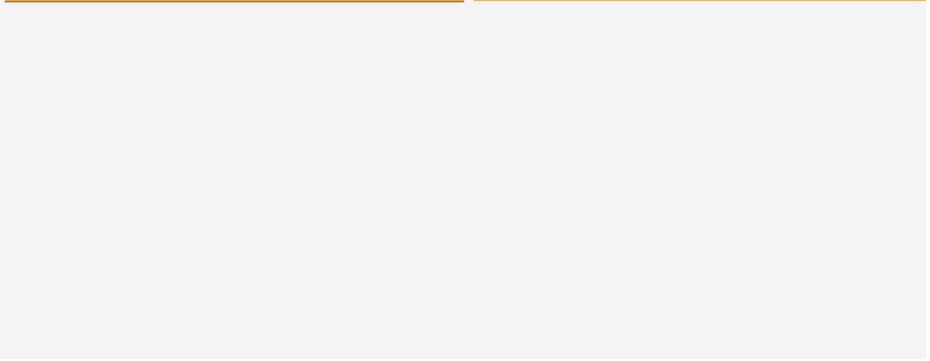
Bait and Hook

Freemium

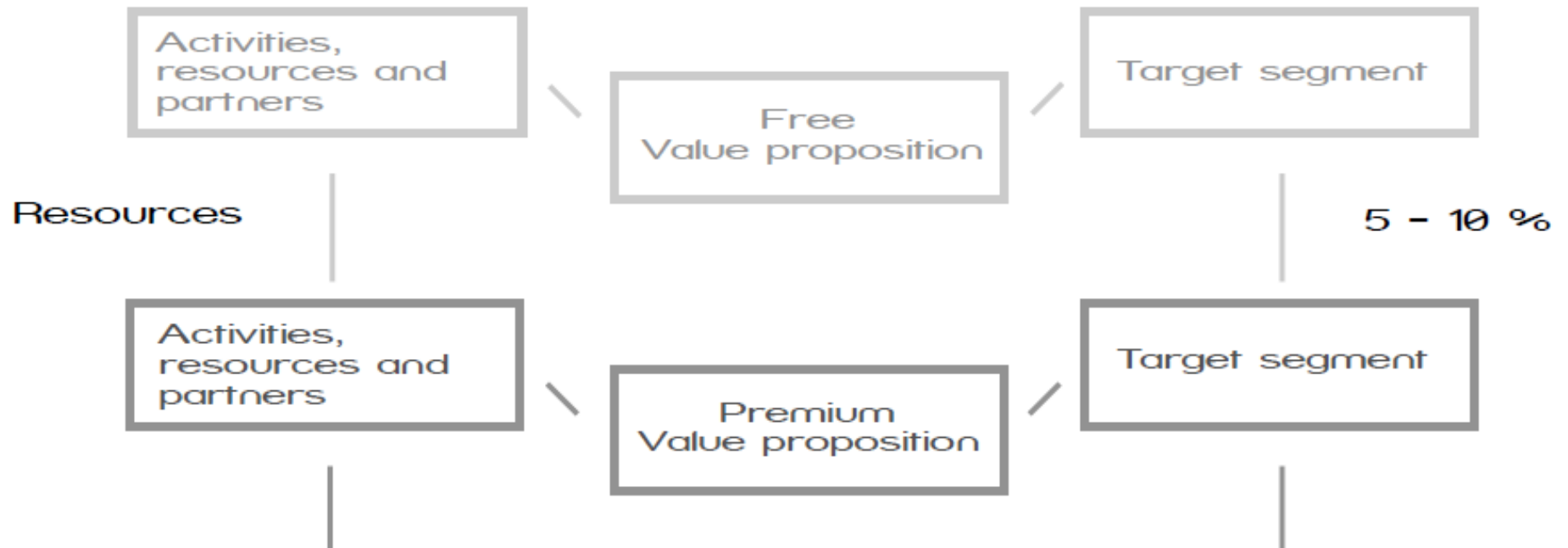
Subscription

Sharing Economy

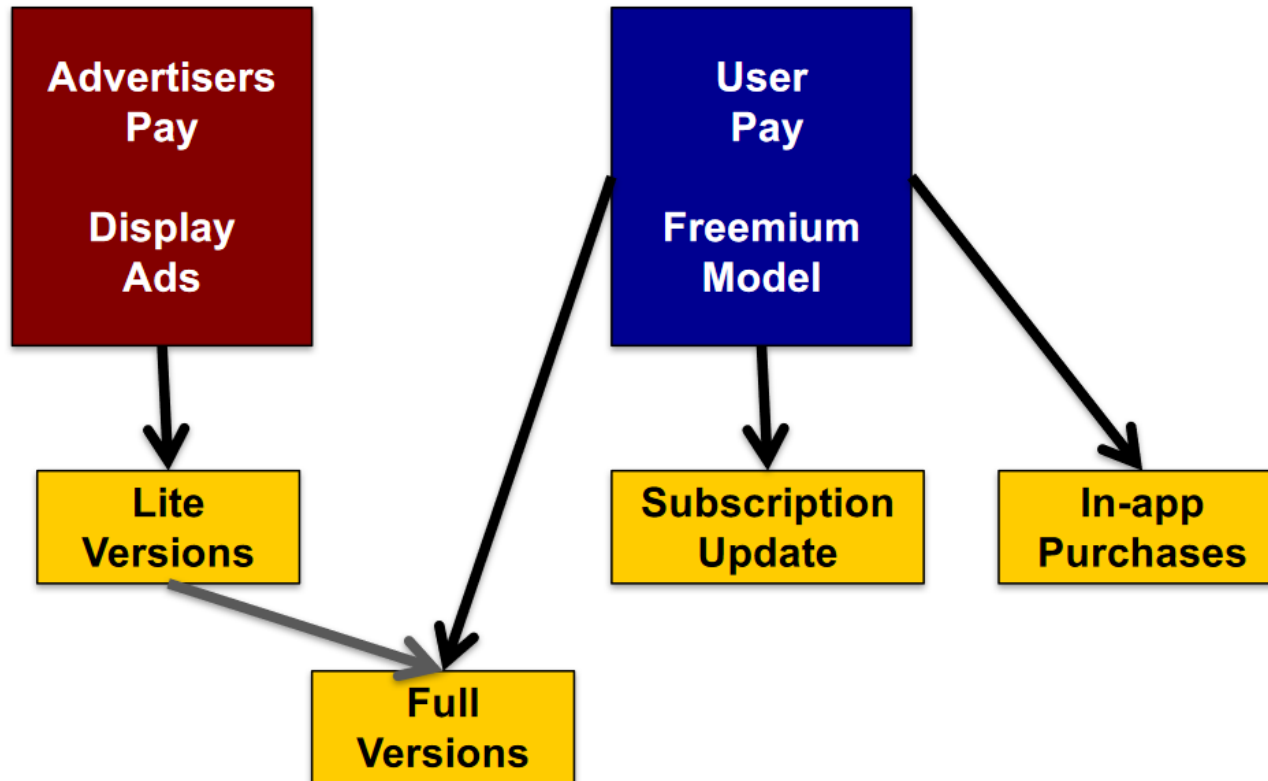
Customer Data
Monetization



Freemium Business model

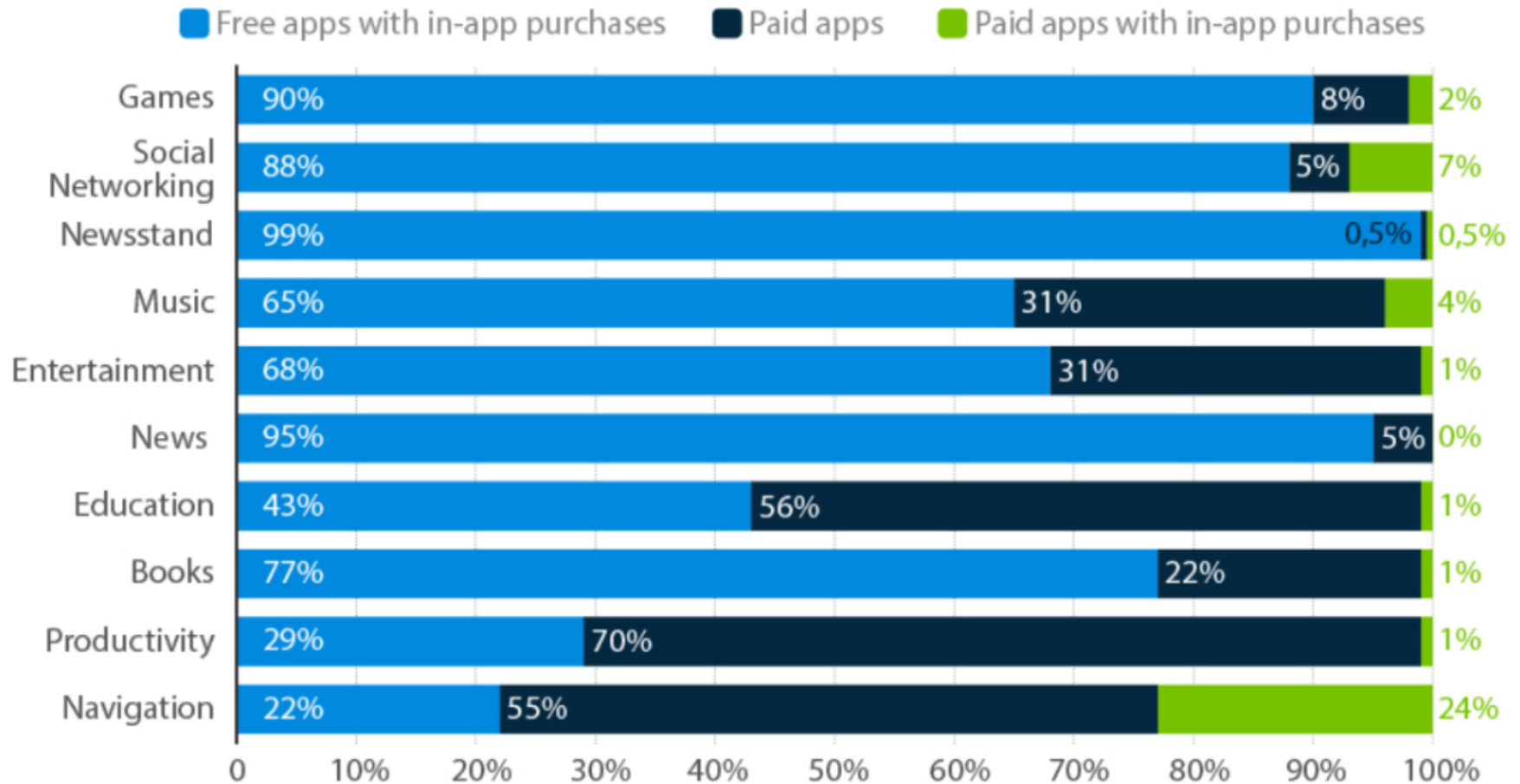


Free Apps

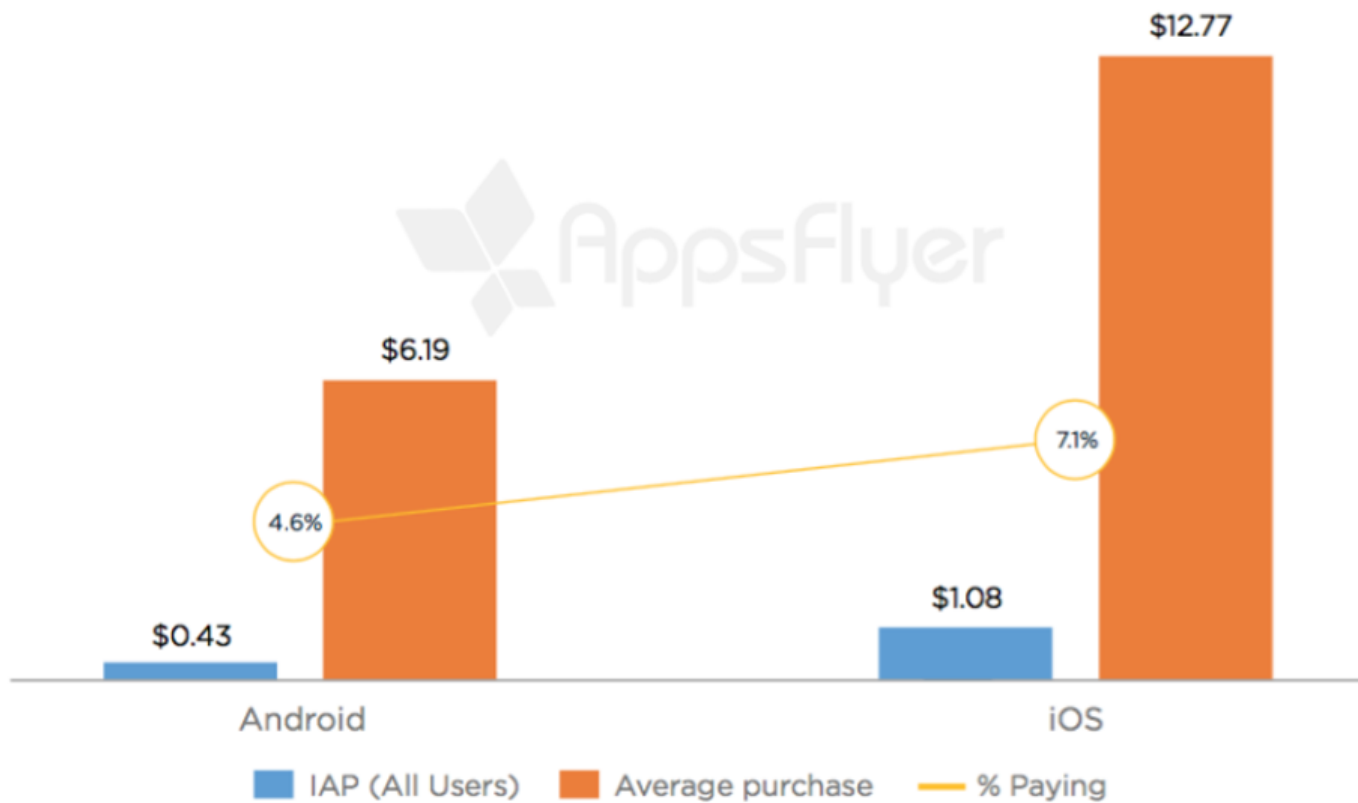


Freemium is the No.1 Pricing Strategy in Most App Categories

% of revenue generated in Apple's App Store from January through November 2013, by app category and pricing model



Monthly In-App Spend Per User, Per App With Purchase Activity (April-May 2016)



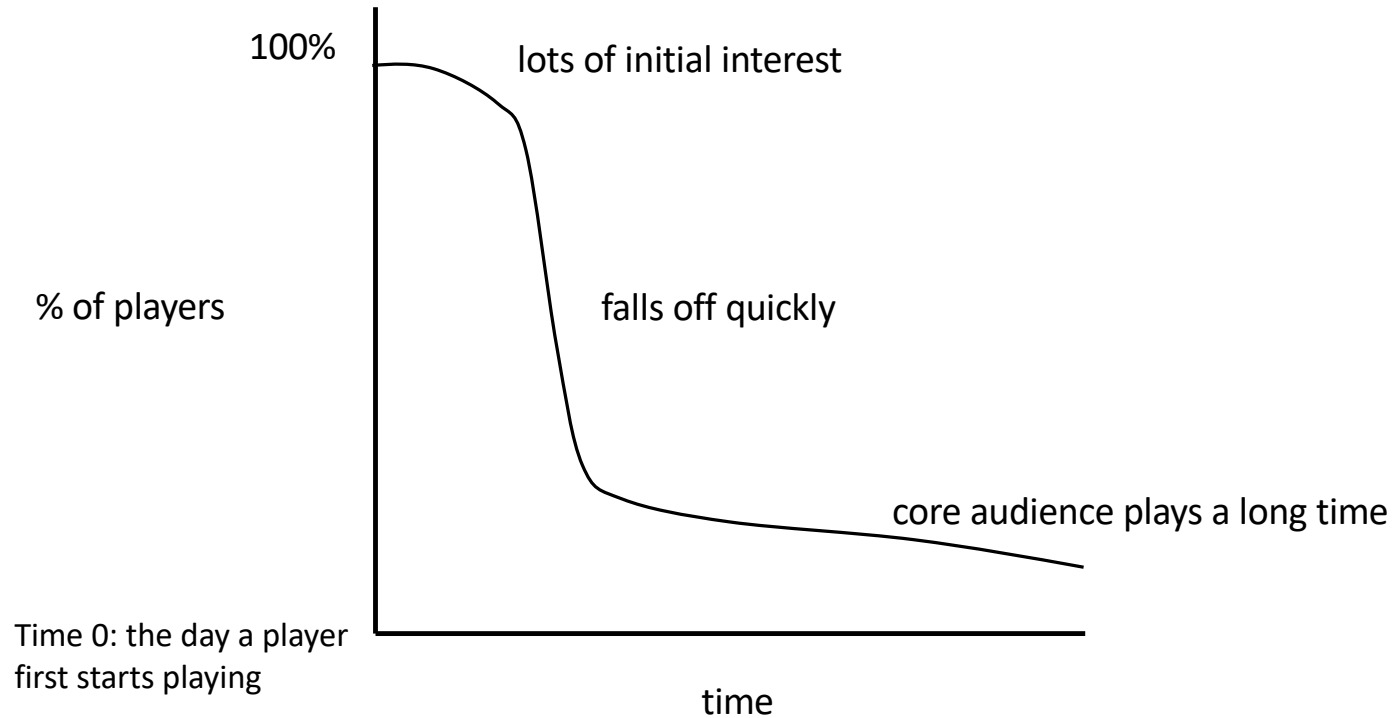


If you have a teenager in your house, you shouldn't be surprised by Nielsen's latest statistic: Fortnite took in \$1.8 billion in sales in 2019, more money in a single year than any game in history. Overall, the gaming industry racked up \$120 billion, up four percent from 2018.

The data was compiled from mobile, PC, console games, augmented reality, esports, and virtual reality revenues. The 2019 revenue breaks down into \$64.4 billion for mobile games, \$29.6 billion for PC, and \$15.4 billion for consoles.

Fortnite is free, but charges a \$10 seasonal Battle Pass. It also sells in-game items like clothes, weapons, dances and reactions for players. The game boasts 125 million players.

Typical Game Retention Curve



Key Player Acquisition Metrics

Virality (k-factor)

- How “viral” is a given player?
- A measure of # of people a given player invites into the game

Player death

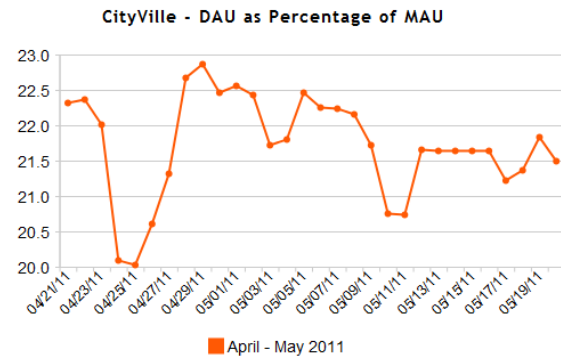
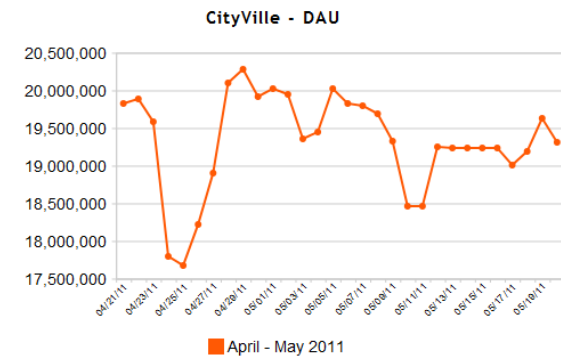
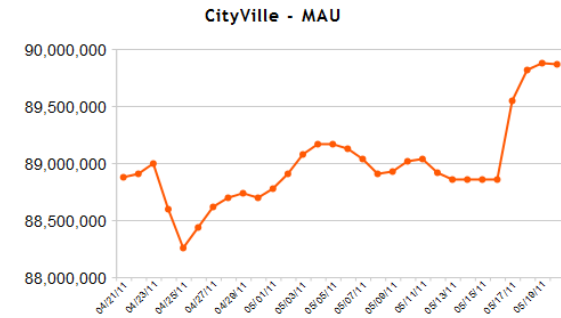
- When a player stops playing the game
- Important figure: average time to player death

Conversion factor

- Percentage of players who convert from free to paying players
- (Typically well under 10%, often under 5%)

DAU, MAU, DAU/MAU

- Daily active users, monthly active users
- The ratio indicates the daily active % of a user base



Three Primary Freemium Models

Multi-Tier Product



No-Ads Upgrade



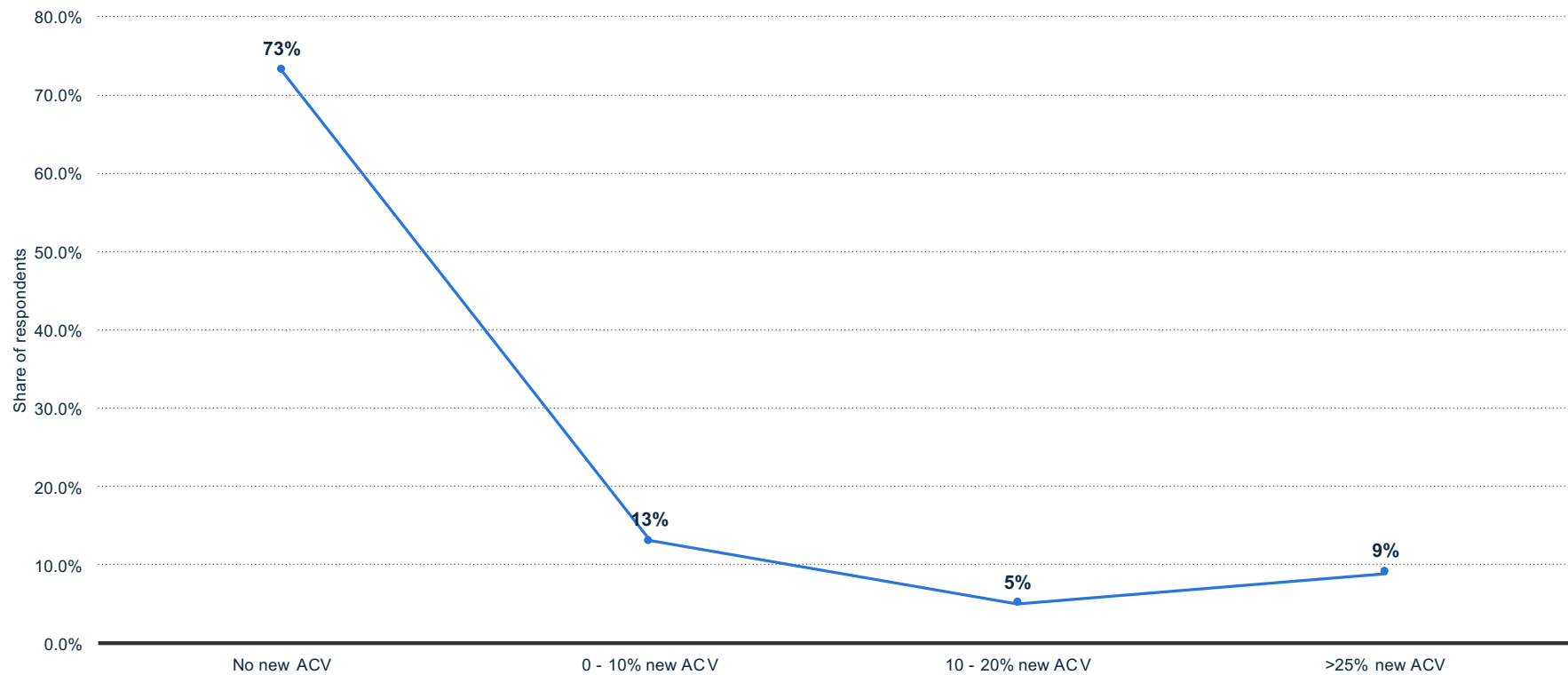
Trial Period



 MOST POPULAR

Expected new actual cash value (ACV) from "freemium" leads for Software as a Service (SaaS) companies worldwide, as of 2014

SaaS companies: expected new ACV from freemium leads as of 2014



Note: Worldwide; June to July 2015; 255 private SaaS companies; senior executives

Further information regarding this statistic can be found on [page 8](#).

Source(s): Website (pacific-crest.com); Software Strategies Blog; [ID 631486](#)

Freemium Conversion Leaders

asana: 25%

Spotify 25%


youSENDit 10%

 **Dropbox** 4%

flickr 7%

 **skype** 7%

Spotify Business Model

Spotify is a two-sided marketplace where artists and music fans encounter on a single platform. Founded in 2008 with the belief that music should be universally accessible with a seamless experience based on streaming audio and video. It generated over €4 billion in 2017, of which almost 90% based on premium memberships and 10% based on a free service which is ad-supported. The company recorded an operating loss of €378 million in 2017.

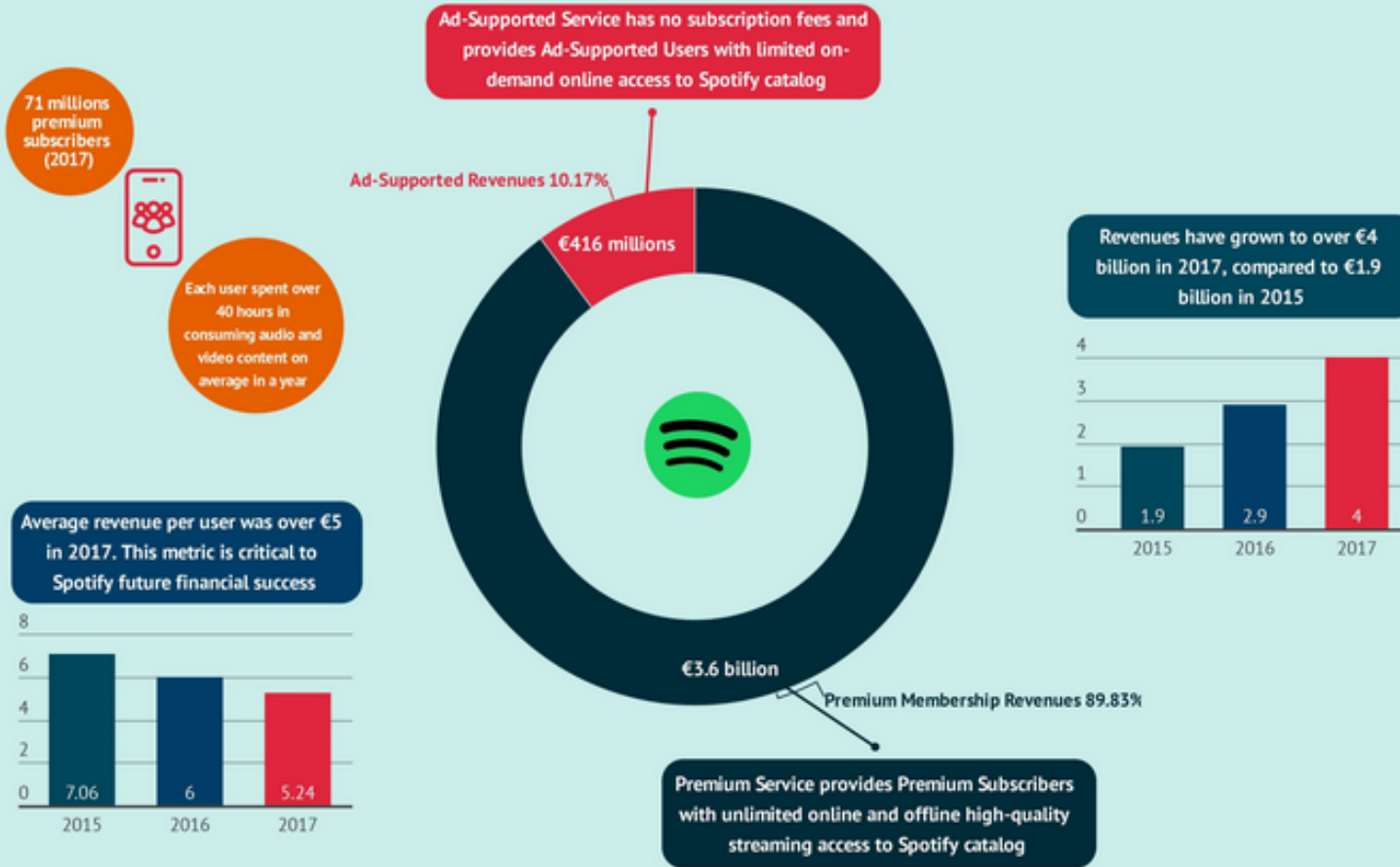







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HP Photo Creations



Prints

Collages

Cards

Calendars

Photo Books

Business

Gifts & More

Turn your photos into art.
Make a Collage Print

Get Started

Visit the Learning Center to Get Started — [Watch the video »](#)



Print-at-Home Projects

Create Something Special for Any Occasion

- Quick Prints
- Collages
- [Greeting Cards](#)
- Calendars
- Photo Books
- Photo Book Pages

[Get Started](#)

“Amazing program”

“All photos turn out great”

“Don’t change a thing”

“I love the program
but new templates
in my opinion are
always a must”

“Excellent
software for
free”

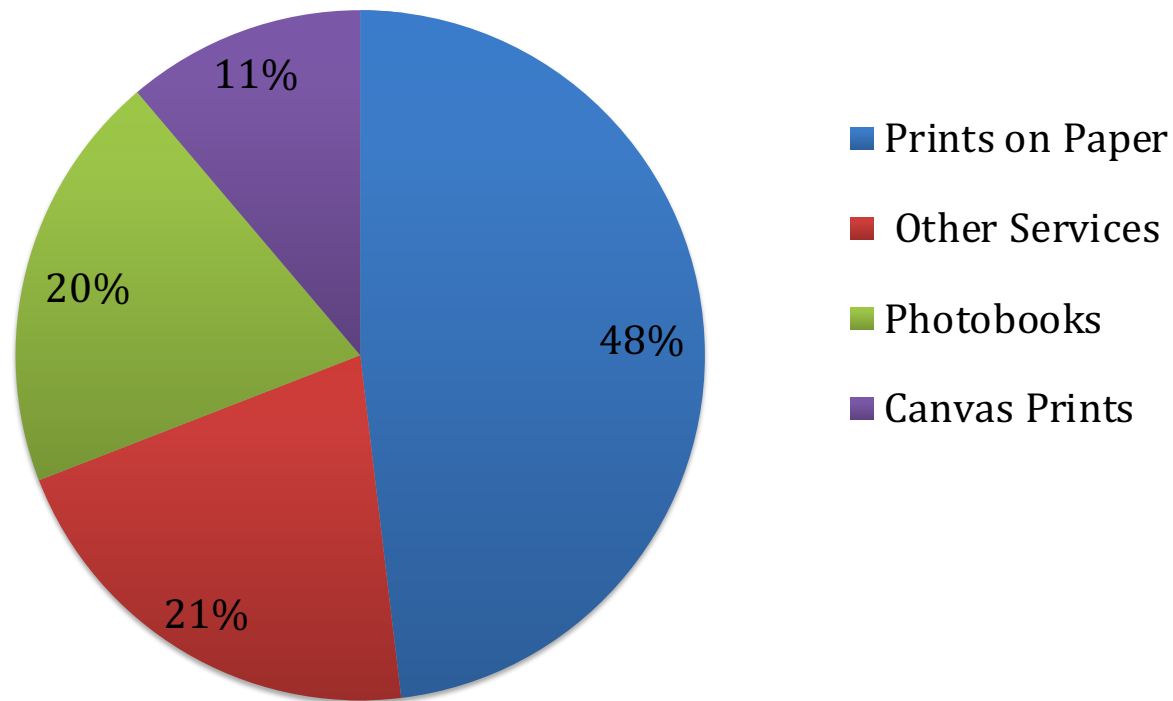
“I hope these functions
do not go premium”

“I won’t pay for
what I used to
get for free”

“Free software is
more important
than pay versions”

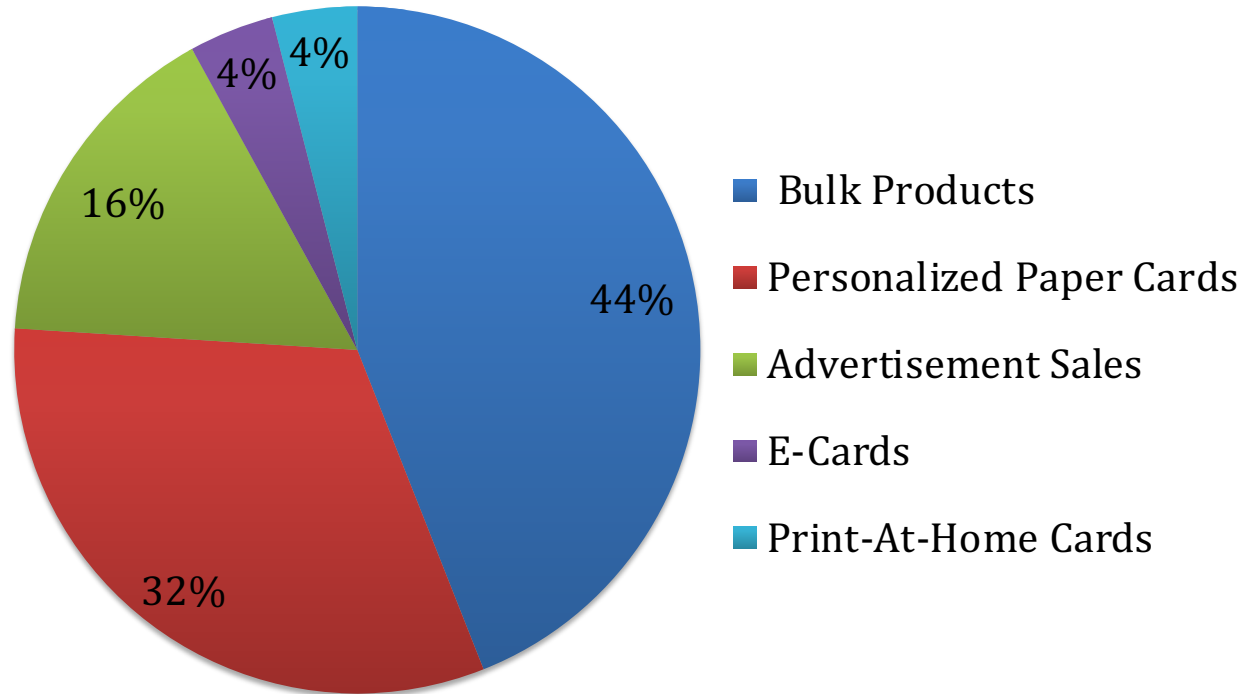
Online Photo Printing Industry

\$1.9 Billion US Online Photo Printing Industry Gross Revenue



Online Greeting Card Industry

\$3.5 Billion US Online Greeting Card Industry Gross Revenue



Key Questions



Special Offers

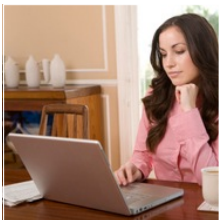
Which features and benefits will be part of this offering?



How much are customers willing to pay?



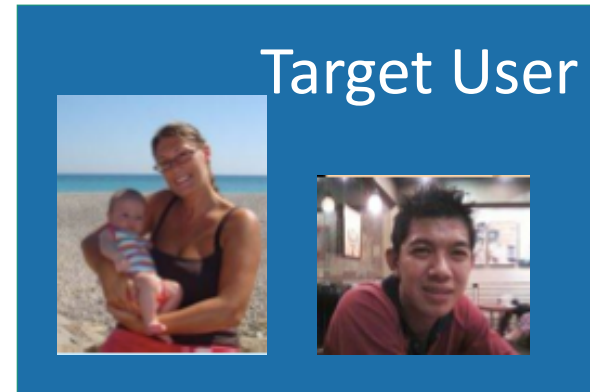
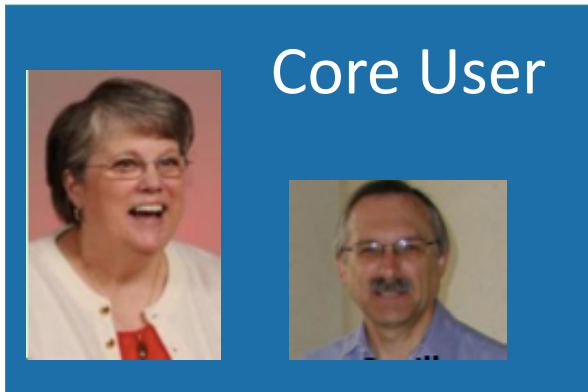
What "take-rate" can we expect, and what is the revenue forecast?



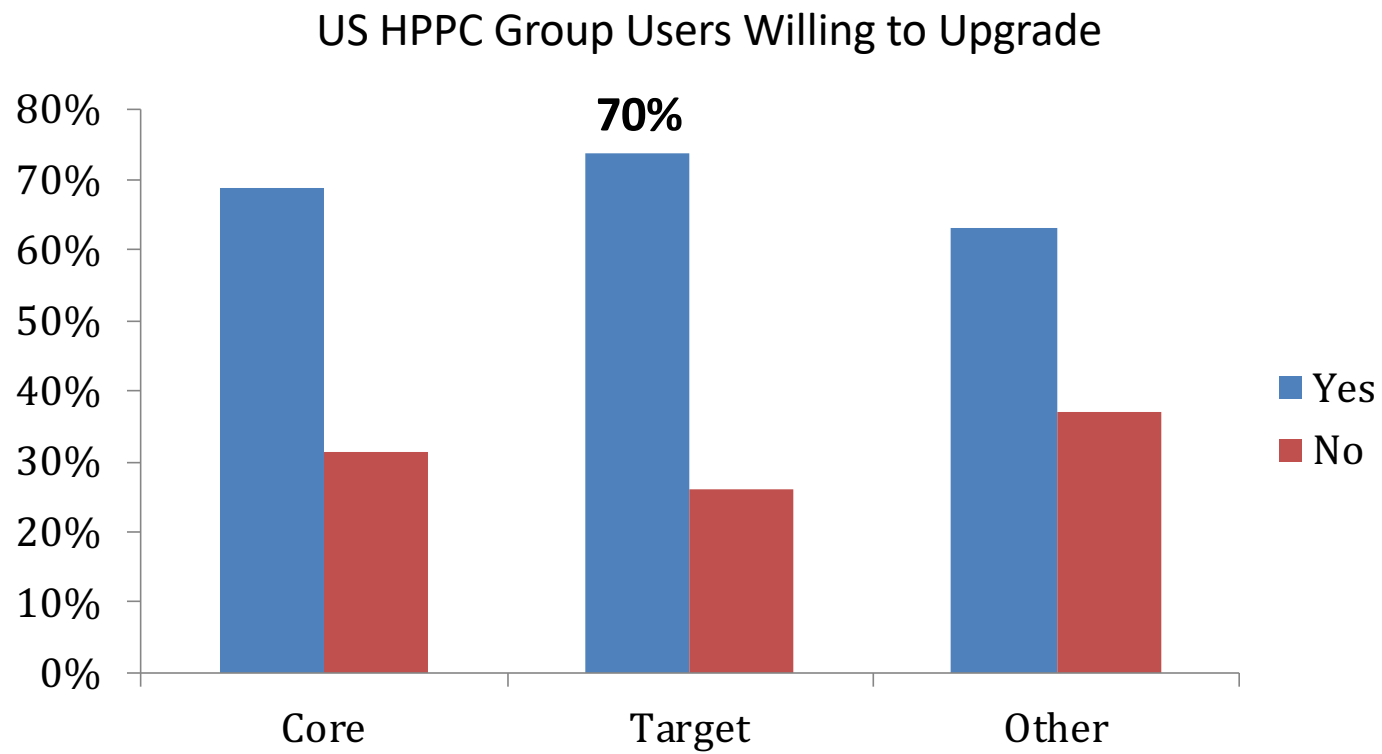
What is needed to implement such a system ?

Customer Demographics

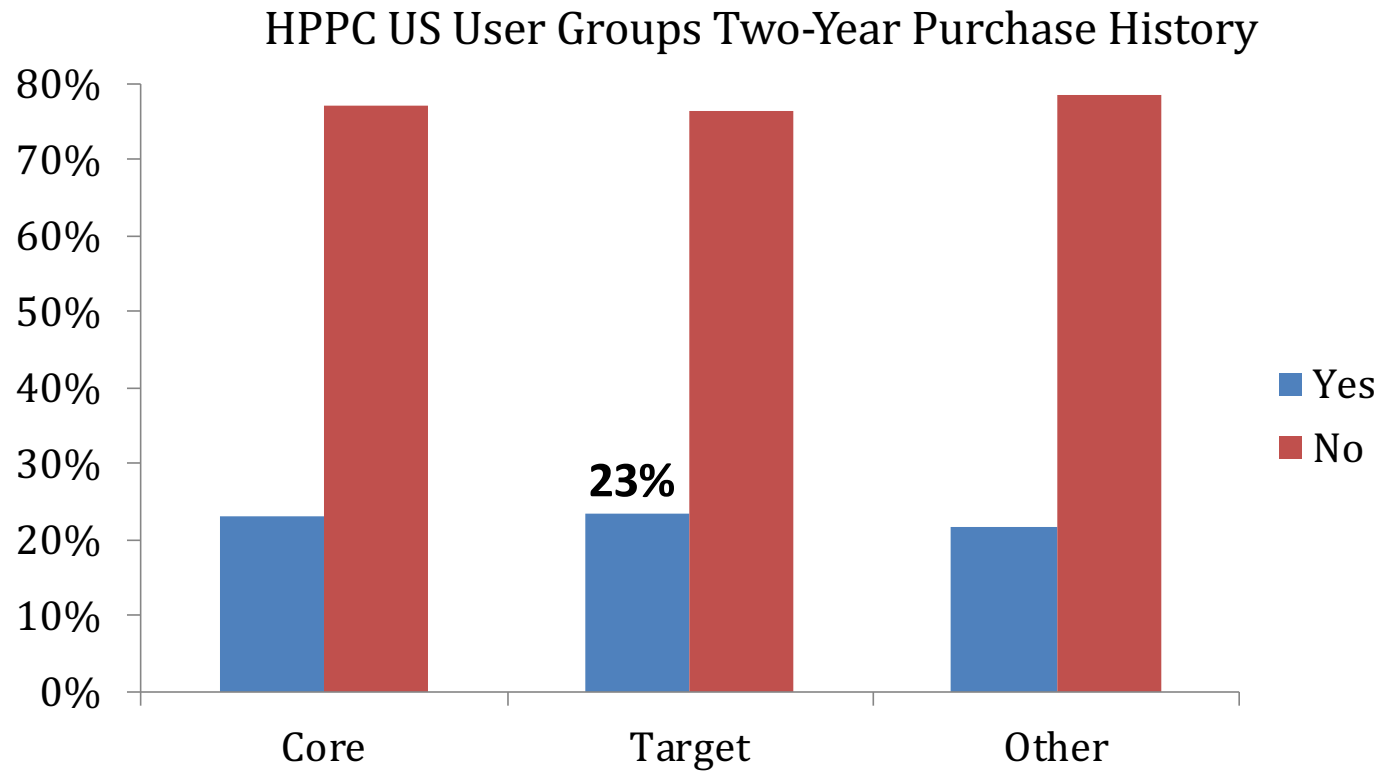
Age	Male	Female	Kids at Home	HH Income ≤\$49,999	HH Income ≥\$50,000
Core (45-64)	36%	64%	29%	43%	33%
Target (25-44)	38%	62%	70%	55%	28%
Other (18-24, 65+)	49%	51%	15%	41%	25%



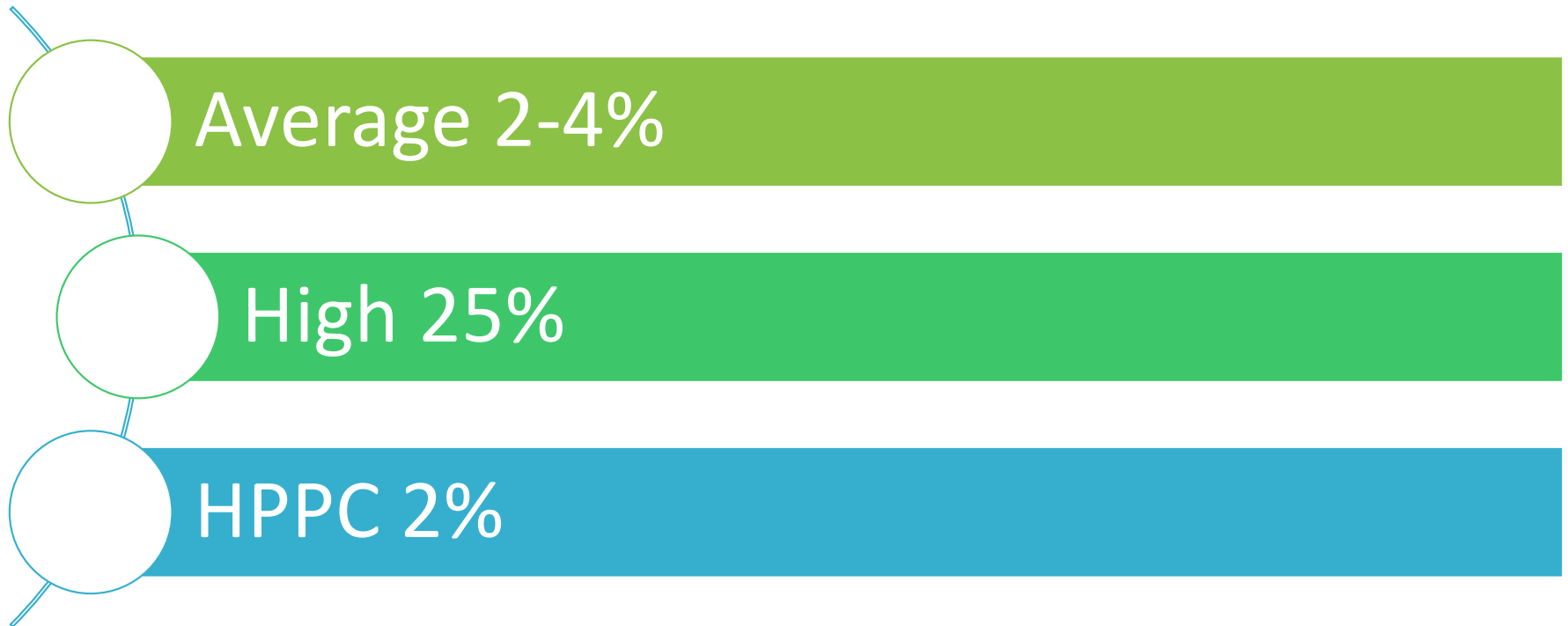
Is the Target Market Willing to Pay a Premium?



Who is Likely to Pay?

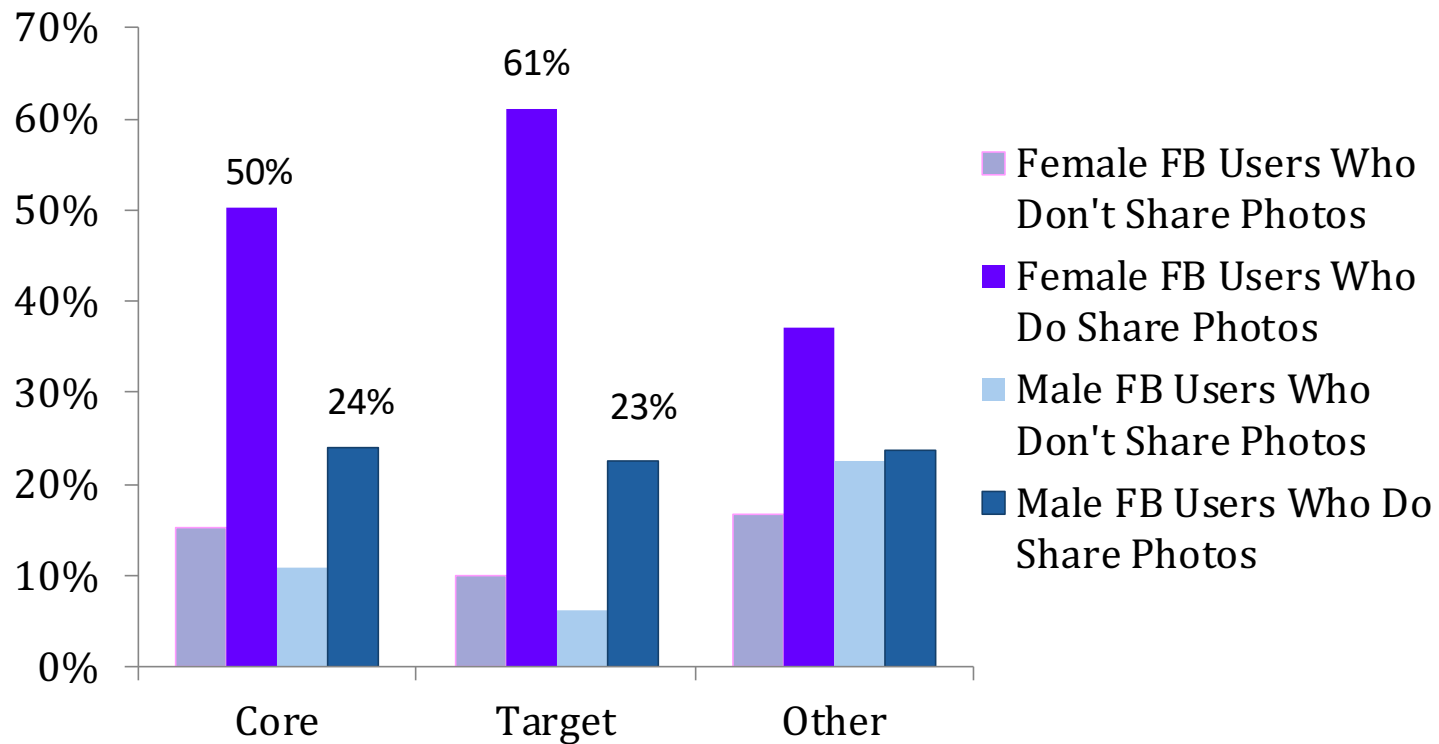


Freemium Conversion Rates



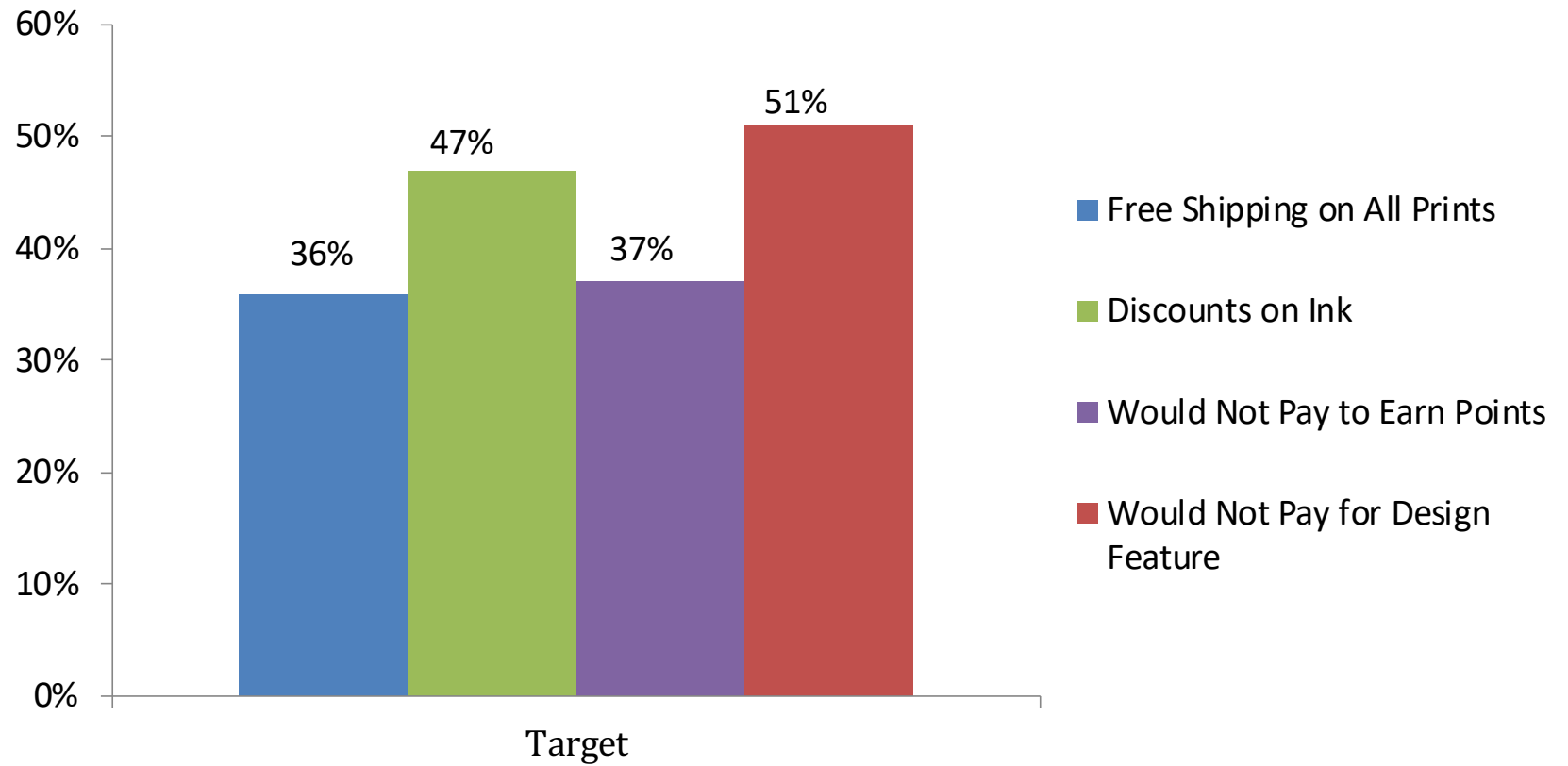
Social Media Engagement

Photo Sharing Activity on Facebook

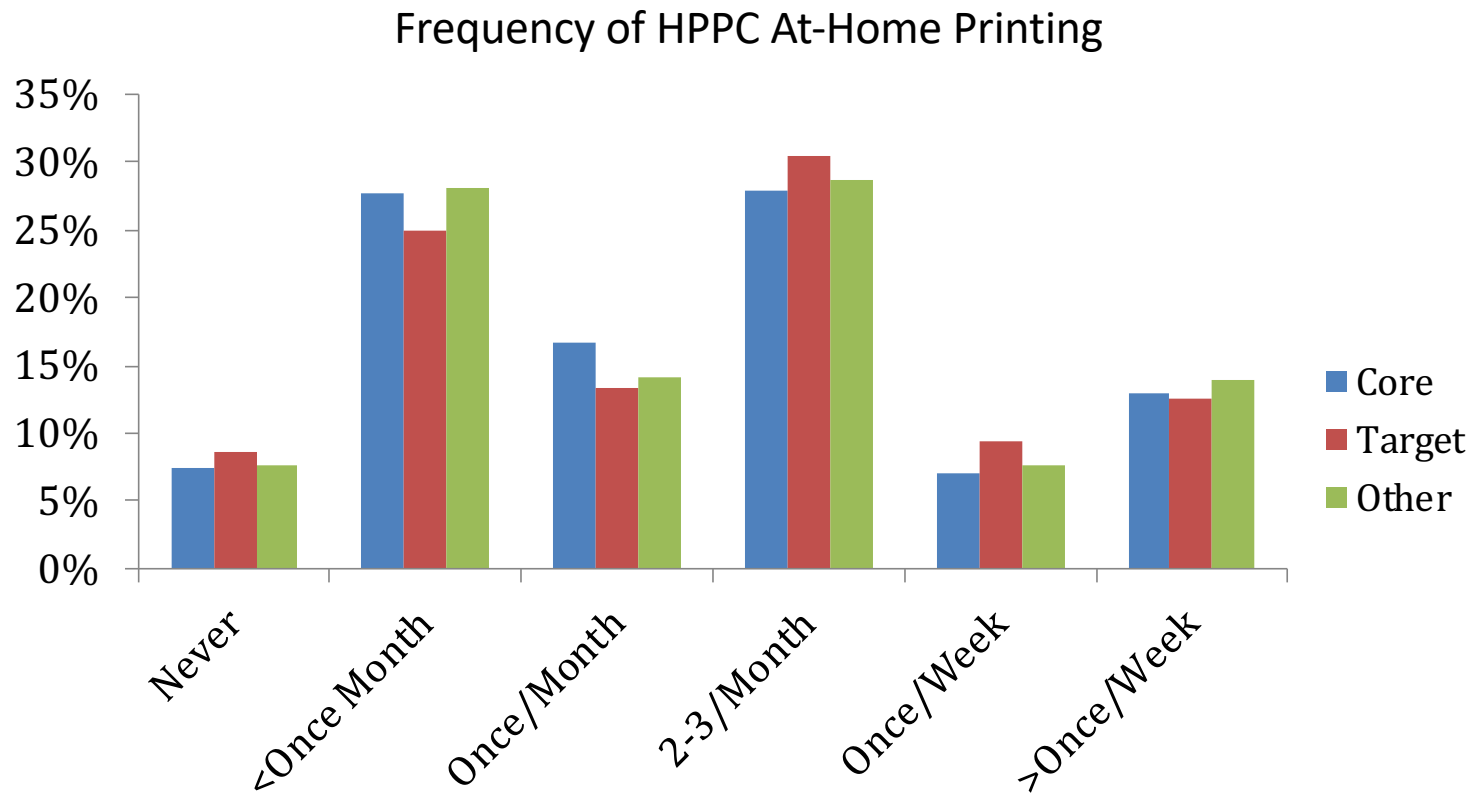


Most Desired Features

Most Selected Feature per Category for Target US HPPC Users

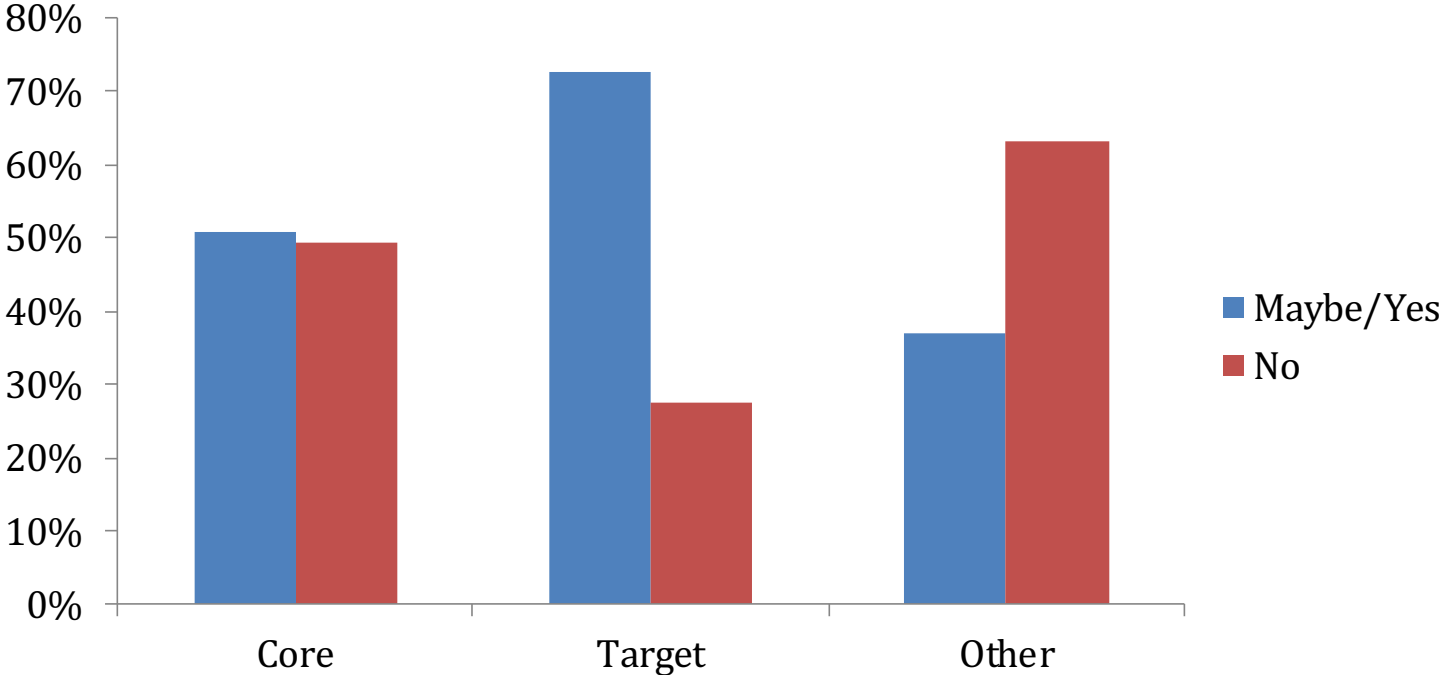


Frequent Printers More Likely to Upgrade



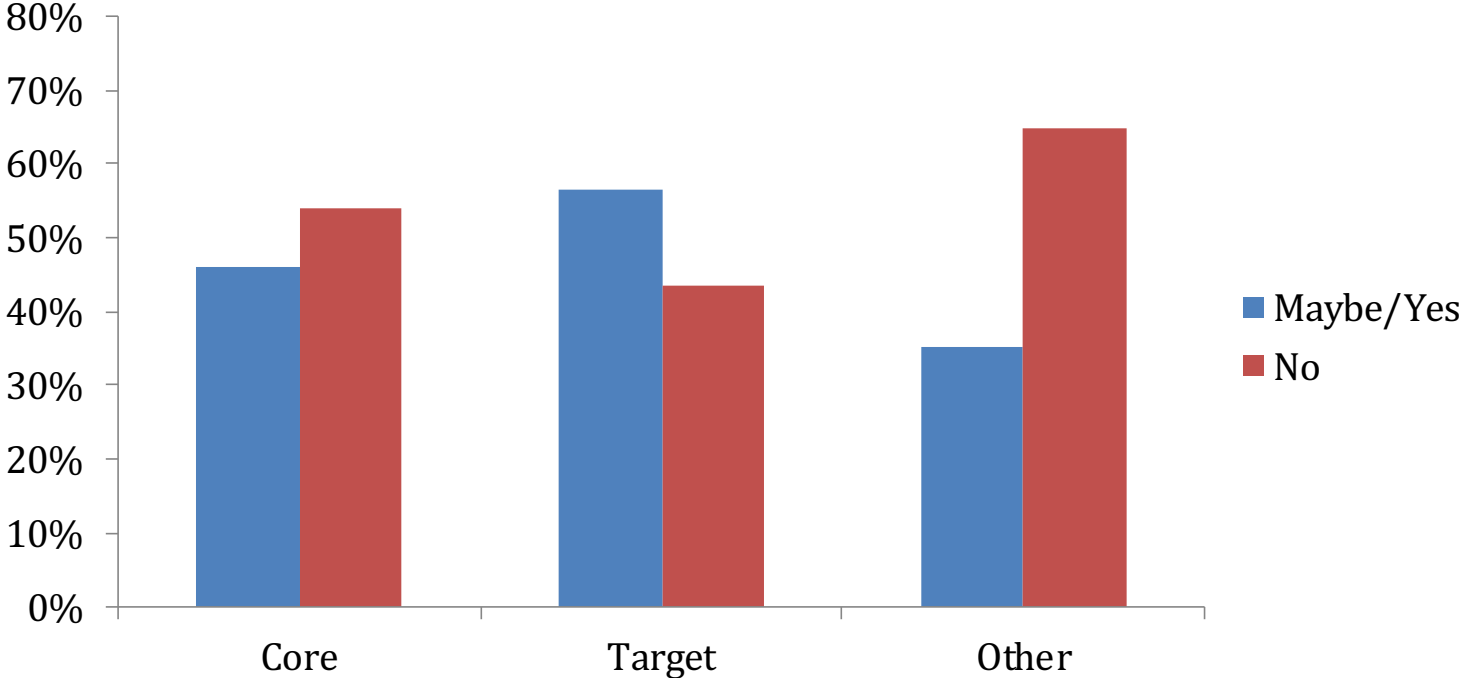
The Case for a Mobile App

Percent of US User Groups Willing to Use a Lite Version on Smartphone



The Case for a Mobile App

Percent of US User Groups Willing to Use a Lite Version on Tablet



Recommendation: Premium Creators Club

Premium
Membership
For a One-
Time
Fee

30-Day Trial
Period For All
Users

Earn Rewards
on Activities
and Purchases



{ Conclusion }