Making Money with Paid Content: Empirical Investigations on Consumers’ Reactions to Free-to-Fee Switches and Preview Characteristics: An Abstract

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Abstract In an increasingly competitive environment, it becomes more and more difficult to earn money with digital content. Nevertheless, companies have to think about fee-based business models online to deal with changing environmental conditions (e.g., online newspaper providers). One way to earn money in a digital environment is a price introduction for content that was previously provided free of charge. When companies change their business model from free to paid content—also known as “free-to-fee switch”—it is generally an unexpected transition for customers; consequently, their willingness to pay is often low due to consumers’ “for free” mentality regarding content on the Internet (Sjøvaag 2015). In this regard, the manner of free-to-fee switches as well as the characteristics of the business model after the price is introduced (e.g., design of a preview version) are essential for companies’ success.

Thus, the purpose of this dissertation is to fill the gap in the scholarly literature about price introductions by providing a better understanding of customers’ reactions and ways of minimizing their negative consequences and by showing how to use different preview characteristics after a free-to-fee switch. Moreover, this dissertation gains important insights for companies planning a free-to-fee switch or having experienced a switch in the past.

In order to attain this purpose, this dissertation covers (1) the fundamental mechanisms of unexpected free-to-fee switches, (2) different forms of free-to-fee switches, and (3) previews for online newspaper providers that were affected by free-to-fee switches. This dissertation thus consists of three individual papers. To summarize, the first paper provides evidence for the negative effects of free-to-fee switches, which can be minimized by justifying the switch. Paper 2 extends this knowledge by considering the possibility of a freemium switch. However, the improvement in attitudes caused by providing an additional free version is accompanied by a decrease in purchase intents. Paper 3 focuses on preview characteristics in freemium business models and illustrates that an interrupted preview ending (vs. a concluded one) is inferior for commercial text-based content.

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