How free-2-play is driving digital entrepreneurship and innovation

By Jason Ried

21 Sep 2016

When it comes to the cutthroat world of selling consumer products and services, anything peddled 'for free' is often sneered at and taken for useless. In the digital universe of software and video games, however, free offerings have become synonymous with value - and users have come to not only expect free, but to demand it.

©Svyatoslav Lypynskyy via 123RF

Our digital lives are increasingly populated by businesses that are successfully harnessing the freemium model. Take Dropbox, for example. It is free to use, and has become a widely utilised tool for both individuals and enterprises of all sizes. In the highly lucrative gaming industry, the free-2-play model has become entrenched. When looking at the Android or Apple software charts, the top ranking earners are all free-2-play, with premium (paid) products taking up less than 10% of the spots in top charts.

The basic premise behind the free model is that it allows businesses to grow their audience at a rapid rate, often at no additional cost to the initial development and marketing. If the product is good and provides real value and/or entertainment, the number of users can potentially skyrocket in a short space of time. With an initial monetisation strategy in place, as this audience or user base grows, it is possible to apply clever analytics and assessments to determine how the product can be improved or enhanced to have the best chance of long-term success and ensure financial reward.

Closing the viral loop

At first, the goal is gain as many users as possible. As a result of the product being free to use, people are more inclined to share and recommend it via their online networks, creating the desired viral effect and closing the loop. Eventually, there will be a distinct difference between the hardcore fans/users who are willing to spend money on additional products/services, and the casual, less dedicated user.

Once this initial adoption and natural evolution has taken place, the game or software should then give the more dedicated users the ability to purchase enhanced features or options, without ever making them feel as though they are being fleeced or taken advantage of. This is achieved through offering value-add services which don't change the experience - but rather enhance it by giving them more, or allowing them to express themselves through customisation.

With regards to customisation, games are generally best suited to this tactic, but it works in any product that has a social element through which people can essentially show off - without this there is no reason to spend money on these customisations. These products keep enabling the same free experience, but they then allow people to display their skills or talents. For instance in a car game, users might be able to add decals to the car, or dress up a character – which in turn makes the user feel good in front of their social group.

As briefly noted above, Dropbox is an excellent example of the free model being used effectively, in that anyone can use the service at no cost, indefinitely. They have embedded viral hooks which make it easy to share with friends, and the person who shares, gets given more free space (genius!). To solve the monetisation conundrum, Dropbox then offers additional space – having recognised that their hardcore users love the product so much that they want everything to run through the platform. The additional space allows them to do that and comes at a cost, but the hardcore users happily absorb it.

With any app, the monetisation strategy should never allow users to pay to win, for example, making a user in a game faster or stronger and therefore more likely to win. This is a golden rule, as it is far too easy to fall into the trap of allowing your users to pay an amount which automatically makes them better than all of the others, especially non-paying users. Inevitably, this approach quickly degrades the experience for other users, which in turn will result in a drop in engagement and usage as word gets out.

For both developers and marketers, the rule should be to never compromise on the promise of the free service in full – while some people may never become paying users, this lack of income is offset against the benefits of word-of-mouth marketing.

Spurring innovation

For the developers and marketing team behind the product, the model is wondrously cost effective. Unlike with paid products and services, whereby the marketing and sales functions have to drive uptake and get the conversations started, the free-2-play model relies on the users and their networks to drive awareness and ignite the wildfire of interest that so many digital entrepreneurs lust after. Marketing spend can then be allocated more strategically based on analytics, and once necessary improvements have been made.

In addition, the free-2-play model acts as an engine for innovation as well as a natural filter. Indeed, the model drastically lowers all barriers to entry that premium products have built up over the years. Premium products need to be backed by professional marketing functions (as noted above), with the business often spending more money on sales and marketing than on the development of the product.

Often, those resources are mistakenly targeted at the wrong audience, or worse still, the messaging simply does not reach the desired audience - leading to a product that is a failure from Day 1. Without the high up-front costs, free-2-play allows developers to release a product, improving it steadily and then scaling when ready.

Ultimately, the free-2-play model means that teams can create a minimum viable product, get it out, grow an audience at a low cost and try to work out if the product is something that can be successful in the longer term.

Behavioural triggers

As with technology in general, the world of free-2-play is a constantly evolving arena in which tried and trusted techniques are always changing as users become conditioned to existing products. This means that new and novel ways of engaging users need to be pioneered and prototyped, creating compelling reasons for users to participate and ultimately spend money.

In our view, a key aspect of achieving this constant evolution is making sure that businesses understand the nuances of human psychology and behaviour. What is often overlooked is that people's behaviour or responses are irrational and different to what is expected. Understanding these irrationalities based on learnings and experiments, and then matching the mechanics of a game or app to drive expected outcomes is crucial.

By working with specialists who understand what prods people into making certain choices at certain times, businesses can harness the full potential of the free model while still gaining massive competitive advantage over their less savvy competitors. From gaming to global trade, success hinges on finding the key triggers of human behaviour – and then cleverly designing products and services around these insights.

ABOUT JASON RIED

Jason Ried is the founder and MD of Fuzzy Logic. Jason's vision for Fuzzy Logic is to create world-class games and apps while growing the games industry in South Africa which has a wealth of untapped potential and talent. To date, Jason has led Fuzzy Logic in releasing chart-topping products, winning an international award and starting work on a big budget, highly ambitious game for an international game and toy company.
- #BizTrends2017: Is it time for a new (business) reality? Key tech predictions for 2017 - 9 Jan 2017
- What Microsoft's HoloLens means for the future of augmented and mixed reality - 23 Nov 2016
- Harnessing behavioural psychology to enhance user experience - 4 Nov 2016
- How free-2-play is driving digital entrepreneurship and innovation - 21 Sep 2016

View my profile and articles...

For more, visit: https://www.bizcommunity.com