

Internet Appendix A84: Computer Games

A84.1 Illustrative Pitch Template Example - Reverse-engineered

This pitch is reverse engineered from the paper: Rietveld, Joost, Creating Value Through the Freemium Business Model: A Consumer Perspective (February 24, 2016). Available at SSRN: <http://ssrn.com/abstract=2737388>

Pitcher's Name	Bogdan Ratiu	FoR category	Management/Marketing	Date Completed	May 1 st 2016
(A) Working Title	Creating Value Through the Freemium Business Model: A Consumer Perspective				
(B) Basic Research Question	Do freemium computer games yield higher revenues than premium games? How can be maximized the consumers' willingness to pay in freemium games?				
(C) Key paper(s)	<p>Amit R., Zot C., 2012. Creating Value Through Business Model Innovation. MIT Sloan Management Review, 53</p> <p>Priem R. L., 2007. A Consumer Perspective on Value Creation. Academy of Management Review 32(1), 219-235.</p> <p>Bowman C., Ambrosini V., 2000. Value Creation Versus Value Capture: Towards a Coherent Definition of Value in Strategy. British Journal of Management 11(1), 1-15.</p> <p>Voigt D.W.I.S., Hinz O., 2015, Making digital feemium business models a success: Predicting customers' lifetime value via initial purchase information. Business & Information Systems Engineering, 1-12.</p>				
(D) Motivation/Puzzle	In the multi-billion dollar market of computer games, the freemium business model is becoming increasingly common. However, there is a certain lack of academic research regarding this model. While the increase of freemium games is certainly visible, the economic benefits need to be better understood. What are the strengths and weaknesses of freemium games? What factors can increase the revenue of freemium games? Puzzle about freemium games: On one hand their increase in popularity and availability is uncontested. On the other hand, studies so far have shown that they are perceived as having less quality and that they generate less revenue.				
THREE	Three core aspects of any empirical research project i.e. the "IDioTs" guide				
(E) Idea?	Given the puzzle above, assess/analyse the clear strengths and weaknesses of freemium games. Apply the "Consumer Theory" model which investigates how consumers make purchase decisions based on their income and the prices of the goods available. The key dependent variables are: number of players which determines the adoption rate, hours played per game which determines the use rate and the amount of dollars generated which determines the revenue.				
(F) Data?	<ol style="list-style-type: none"> Setting: 2014-2015 computer games found in Valve's Steam database (Steam is leading distribution platform for digital PC games) Sample size: Initially 400 titles from 276 companies (around 10% of all games released in 2014 on Steam), in the end revenue data was obtained for 48 titles Data source: Valve data published on Arstechnica + research questionnaires sent to game companies regarding revenue. Data collection: mostly manual and quite tedious 				
(G) Tools?	Online survey tool Qualtrix: to create an internet survey to gather revenue data from companies. Software: Apply Generalized Structural Equation Model (GSEM) in Stata 14				
TWO	Two key questions				
(H) What's New?	Study the revenue and the ways to increase revenue generated by computer games which are using the freemium business model				
(I) So What?	Given the magnitude of the computer games industry and the increase in freemium games, game developers as well as investors would be keenly interested in knowing the benefits and risks of adopting this model for future projects as well as ongoing ones.				
ONE	One bottom line				
(J) Contribution?	The first empirical study on a large dataset of recent PC games aimed at determining revenue and ways to increase revenue for freemium games. Analyse the freemium business model by using a consumer centric framework. Formulate 4 hypotheses, which explore consumer behaviour regarding freemium games adoption, usage, revenue and ways to increase revenue. This links the freemium model to demand-side thinking strategic management.				
(K) Other Considerations	<p>Collaborations: not needed initially</p> <p>Risks/Challenges:</p> <ul style="list-style-type: none"> Competitor risk: low – freemium games have not been studied; Obsolesce risk: low – the freemium model will become more and more used; 				

Cued Template taken from Faff, Robert W., Pitching Research (January 11, 2015). Available at SSRN: <http://ssrn.com/abstract=2462059> or <http://dx.doi.org/10.2139/ssrn.2462059>

No result risk: low – data is available and the model is straight forward;
Good Data challenge: medium – data sample might not be big enough; risk of companies not answering the questionnaire regarding revenue;
Variables challenge: medium – the field is not very well studied so there might be missed variables in the model. Try to offset by getting feedback while the paper is developing
Relevance risk: low/medium – the field could be considered too niche by some.

Three key findings:

1. Freemium computer games have a 274% increase adoption rate compared to classical games.
2. Freemium computer games have lower use rate and generate significantly lower revenue.
3. Revenue can be increased by offering more options in the purchase menu of freemium games.

