



# **SNS COLLEGE OF ENGINEERING**

Kurumbapalayam (Po), Coimbatore – 641 107

**An Autonomous Institution**

Accredited by NBA – AICTE and Accredited by NAAC – UGC with ‘A’ Grade  
Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

**DEPARTMENT OF COMPUTER SCIENCE AND ENGINEERING(IoT and  
Cybersecurity Including BCT)**

**COURSE NAME : cloud service management**

**IV YEAR / VII SEMESTER**

**Unit II-**

**Topic : Freemium**



## What Is Freemium?

- A combination of the words "free" and "premium," freemium is a type of business model that offers basic features of a product or service to users at no cost and charges a premium for supplemental or advanced features.
- A company using a freemium model provides basic services on a complimentary basis, often in a "free trial" or limited version for the user, while also offering more advanced services or additional features at a premium.
- Freemium is a business model in which a company offers basic or limited features to users at no cost and then charges a premium for supplemental or advanced features.
- The freemium business model dates back to the 1980s, though the term was coined in 2006.
- Freemium models are especially popular among software applications and internet-based businesses.
- This type of business model has the advantage of acquiring a large set of initial users, especially when there's no cost associated with trying out an app or a service.
- Ultimately, for the freemium model to work, companies must ensure their premium users can access more upgraded features, such as increased storage or customizations, and additional customer service.



In addition, users may eventually get tired of a free version as it doesn't offer additional bells and whistles but encounter other barriers or an unwillingness to upgrade to the premium version.

#### Pros

- Companies can easily acquire potential users and collect their user information and data
- They can make revenue on ads and boost their own business numbers to enhance the application
- For startups, it provides a large amount of brand awareness without requiring a lot of customer support.

#### Cons

- Free users never convert to paid users
- Too many features on the free version may prevent users from upgrading to a premium version
- Users may get tired of a free version that doesn't offer additional bells and whistles



## **Do Freemiums Increase the Number of Customers?**

Freemium models lower new users' barriers to entry, increasing a business' number of total customers by allowing some to test out a limited version of the product without financial commitment.

## **Which Companies Use Freemium?**

Many companies use freemium models, including Spotify, Dropbox, Hinge, Slack, and Asana.