

Freemium Business Model: The **Darkside** of Free Stuff

By: **Muhamad Idaham Umar**

in-app purchasing was introduced to the market during the early 2010. The definition of the term in-application (or in-app) is activities or transactions that are being done within the application. The definition of the word purchase is to acquire (something) by paying for it. The term of "in-application purchase" are digital goods which, when bought from within an app, often either unlock new features, enable the user to skip mundane tasks or provide additional content. In-app purchase is closely related with the term Freemium. The origin of the term Freemium is a combination of the words "free" and "premium" used to describe a business model that offers both free and premium services.

It is a norm in the world of consumerism; everything must be governed and controlled through legal channel to ensure that the new ideas are not being misused by people who want to take advantage of the situation. Each major consumer application retailer has established policies regarding the process of including in-app purchasing function for all applications that are published through their channel. But are these policies enough to avoid consumer dissatisfaction and irresponsible

spending in using this service? In-app purchasing is no longer centralized, contrary to the conventional app purchasing method (Premium application) where payment occurs before downloading the application. Can the established policy protect consumer from being abused by in-app purchase? What if the in-app purchases are rip-offs? There are too many grey areas in the existing policies.

In the case of Amelia DeClark, a three-year-old child spends 100 US dollars when using an app named "My Horse". What happened was that the three-year-old had racked up more than \$100 after her little fingers frantically swiped across the brightly colored buttons on the free app, confirming real-time payments from her mother's iTunes account

Even though the problem was solved by a refund to Amelia's mother, it was only as a "goodwill" gesture. This is not considered as the proper way of solving this issue. In another part of the world, a five-year-old asked his parents for the password to the family iPad to download a free game, only to accidentally rack up \$2535 in in-app purchases on his mother's credit card. The child download a free game named "Zombie vs Ninja" from the App Store. Yes, the app

was free, but the weapons and skills point inside the game are not. Just by knowing his parents password, the child was able to spend a huge sum of money in just a matter of minutes.

Before in-app purchase was introduced, purchasing in a mobile device is usually done before an application is downloaded or installed on a mobile device. Before a consumer can use an application, they must purchase the app through the means provided by each specific platform (i.e. Apple Store, Windows Phone Store, Google Play).

In-app purchase innovates the process of how consumer spends through mobile devices and how enterprise make profit. Consumers are being drawn to the intuitive services or goods provided when they first install an app for free on their device. After certain amount of period or usage, certain functionalities inside the app will require the user to subscribe or purchase to continue using the app to its full potential. That was the main idea of in-app purchasing - to give the consumers a taste of the full potential of an application.

