

There is no such thing as a ‘free’ app:

What do we give in exchange for free services in the Digital Economy?

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The big question

- ▶ *“To capture value from delivering new information services that users often expect to receive without charge... This involves some of the trickiest and most frustrating issues that entrepreneurs and managers must address.”*

Teece, 2010

- ▶ Clearly some successes...
- ▶ Why are some firms better at the monetization of free services in the Digital Economy than others?



What is the purpose of the firm?

- ▶ Considerable debate around what a firm is/does
- ▶ Two things (I hope) we can all agree on:
 - 1) A firm is an economic entity which “seeks superior financial performance relative to its competitors” (Hunt, 2010)
 - 2) Firms interact with their external environment through a mechanism of *exchange*.



The nature of exchange

- ▶ Exchange requires reciprocity
- ▶ From contract law- what an actor (individual, firm, etc) receives in exchange is called *consideration* (Benson, 2011)
 - In traditional markets this manifests itself as purchase price (exchange value)
- ▶ But...consideration does not have to be financial (e.g. barter)



Commodification

- ▶ The translation of something, usually an activity, effort or asset into money (Marx) (Ng & Smith, 2012)
- ▶ If the consideration is not initially financial it can be argued that there must exist a process by which the non-financial consideration is commodified.
- ▶ So why are some firms better at the commodification of non-financial consideration in the digital economy?

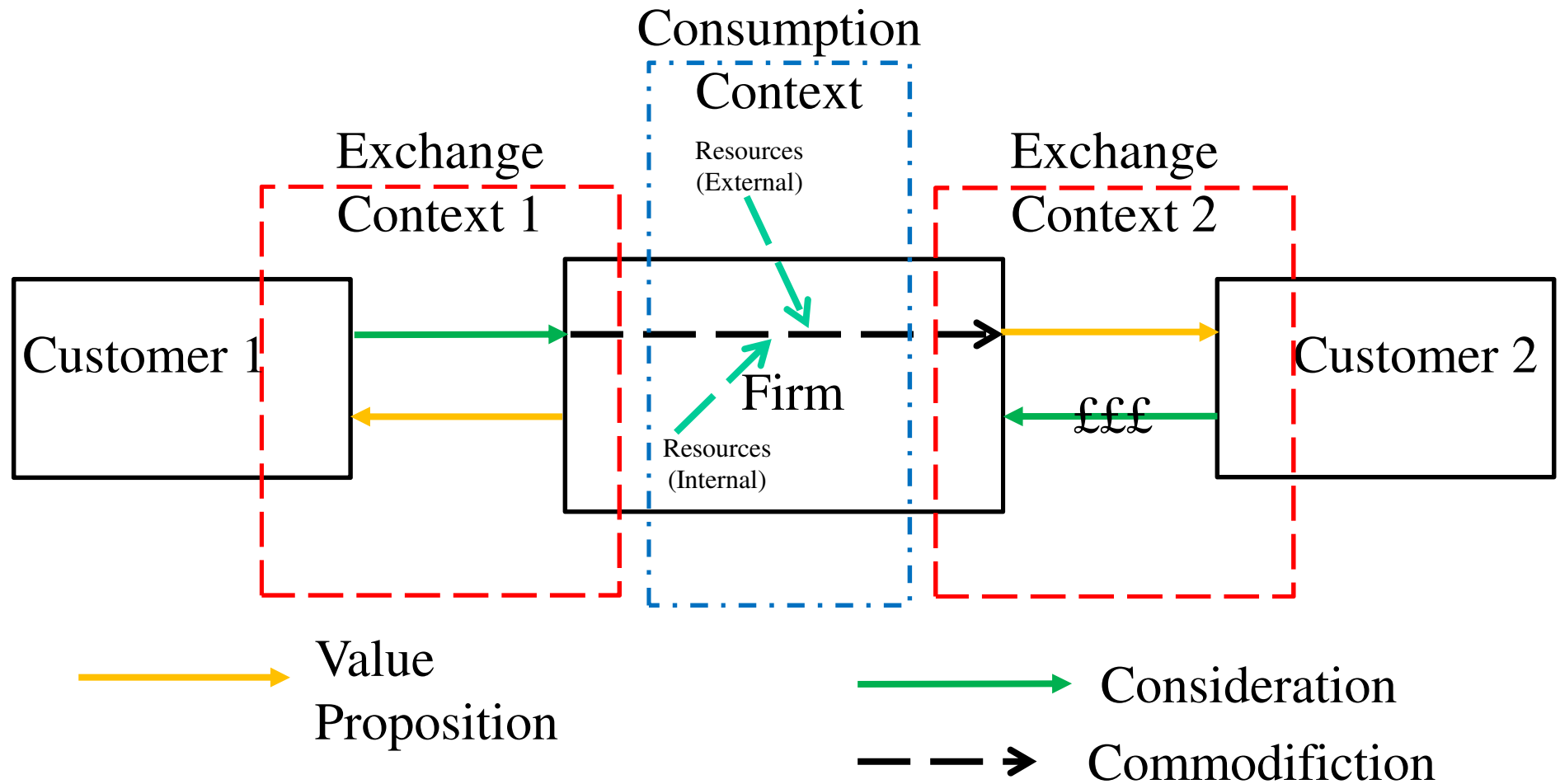


Proposed framework

- ▶ The *commodification of non-financial consideration* occurs as part of a service ecosystem which links two (or more) service systems through their respective exchange relationships.
- ▶ The non-financial consideration received as part of one (or more) service system(s) is consumed by the firm within a specific consumption context and integrated with other resources (which may also be the result of an exchange)
- ▶ The competencies afforded by the resulting bundle of integrated resources must then form a compelling value proposition in a specific exchange context where the consideration received is money.



Simple Commodification of Non-Financial Consideration System



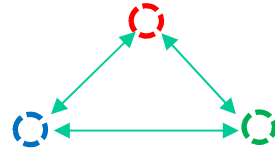
Possible types of CN-FC System

Using notation from Chandler & Vargo (2011)

- ▶ Intermediary (direct exchange)



- ▶ Platform (facilitates exchange)



- ▶ Speculative (future exchange with different)



- ▶ Freemium (future exchange with same)



What do we give in exchange for 'free' digital services? (Very) early findings

- ▶ Some things are obvious (or are they?)
 - Information
 - Personal Data- Anything which can be linked to an individual
 - Metadata e.g. cookies
 - Search terms, friend contact details
 - Content e.g. pictures, tweets, links
 - Time/Effort (digital labour) e.g. clicks, blogposts
- ▶ Less obvious (and less easily harvested as data):
Attention, Privacy, Emotions (Boredom, Frustration etc), Clustering of Services



Thank You

Any Questions or Comments?

