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# A Comparative Analysis On Pay-to-Play and Free-to-Play and Their Impact on Credibility of Game Development Firms

- Balancing Profitability and User Experience

## 1.0 Introduction

The ever-changing monetization models of Free-to-Play (F2P) and Pay-to-Play (P2P) significantly impact the perceived user experience of the vast array of players. The monetization model impacts the User Experience (UX) in various ways, both negatively and positively. Drawing on insights from industry professionals and academic researchers, this study explores the complex interplay between F2P game monetization, UX, and ethical considerations. By examining professionals' perspectives, such as Alha et al. (2014), and academic insights from studies like Flunger et al. (2017), this research unravels the multifaceted implications of F2P games. From exploring the nuances of user engagement to the ethical dimensions of in-game microtransactions to the transformative shift within the industry, the research navigates the evolving dynamics of game development. This study is guided by Whetten's (1989) framework of how to determine theoretical contribution, Garibaldo's (2020) guide on how to perform a comparative analysis, and the literature review will follow the steps outlined by Randolph (2009). The study aims to contribute theoretical insights, address misconceptions surrounding F2P monetization, and highlight the need for transparent communication. As the gaming industry stands at a pivotal juncture, this research provides a comprehensive guide to understanding the challenges and opportunities inherent in the F2P gaming landscape.

## 2.0 Literature review

#### 2.1 Free-to-Play Games: Insights from Industry Professionals

Alha et al. (2014) open a unique window into the inner workings of the gaming industry by offering insights into how industry professionals perceive and craft F2P games. Alha et al. (2014) results show that users could view F2P monetization models to increase their likelihood of playing a previously unfamiliar game because they are not required to pay anything to try an F2P game. In F2P games, the user has the opportunity to evaluate the game before making the ultimate decision to spend real-life money on it. In that respect, the results of Alha et al. (2014) show that there are nuances of the F2P monetization model that are fairer for the players than a traditional P2P monetization model. For example, the barrier to entering F2P games is lower than the requirement to pay for P2P games. Lassila (2022) argues that there is a close relationship between customer retention and monetization. Retention metrics are elucidated to mirror players' satisfaction and their inclination to engage further, fostering a propensity to revisit the game for extended durations. The game design aims to be sufficient to encourage users to install and spend their time playing the game. However, Lassila's (2022) study indicates the relationship between these two parameters: increased user retention

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decreases each player's willingness to buy virtual goods within the game. The findings of Lassila (2022) on the relationship between customer retention and monetization would be problematic if game designers were incentivized to maximize monetary profits over player enjoyment.

The F2P model, according to Alha et al. (2014), also incentivizes the developer to continue to develop the game and make the whole experience enjoyable to keep the user interacting with the game and paying for it, which makes the game more of a continued developed service instead of a product that does not get any further development. Hamari et al. (2020) posit that it is imperative to differentiate between elements deemed valuable by players within the game and the factors that may motivate in-game purchases. Alha et al. (2014) revealed insights from game industry professionals regarding F2P games and the development process. These game industry professionals highlighted a substantial audience preference for P2P games. Moreover, they emphasized that critics of F2P games are not exclusive recipients of criticism (Alha et al., 2014). Alha et al. (2014) suspect that the high price of premium games is sometimes even a bigger target of complaints targeted toward the F2P games monetization model. Alha et al. (2014) bring forward that game industry professionals want to fight the reputation that has been over the years connected to F2P games by showing how good these games can be. Salehudin and Alpert (2022) bring forward a rewarding perspective of why F2P gets criticism: the confusion around what F2P entails; the authors argue that there is no such thing as a free application. App developers need a revenue stream to be sustainable, which means that there is a need for monetization. Salehudin and Alpert (2022) note that certain users perceive an entitlement to access the game without cost. They contend that addressing the misconception surrounding F2P could contribute to bridging the disparity between user expectations and the actual gaming experience.

According to Seidl et al. (2017), it is difficult to change the monetization model once a game has adopted one. If a game moves from free-to-play to a subscription-based business model, the players would be charged for something they used to receive for free. The change can be exceedingly unpopular; Seidl et al. (2017) argue that it is because of the psychological concept of "loss aversion." Changing the monetization could result in a massive loss of users, primarily light users, which could be fatal for word-of-mouth recruitment and damage the product or firm's reputation. An example of loss aversion, changing the monetization model of a service from free to costing money, is the museums in Stockholm. The change in the monetization model of museums in Stockholm, Sweden, meant, according to Thunström (2022), that the number of attendees has decreased because people do not prioritize gaining cultural knowledge and experience while the economy is unstable. Myndigheten för Kultur Analys (2023) compared a change in the museum monetization model and its impact on the number of attendees between 2013 and 2019. The museums that did not change their monetization model increased their amount of attendees by 9%. Museums that went from cost to free entry increased attendees by 14%. In comparison, museums that went from cost to free entry increased their attendees by 7%. Myndigheten för Kultur Analys (2023) shows that the difference between not changing the monetization model at all, changing it from costing to free, and changing it from free to costing is substantial, where changing the monetization model from costing to free increased the number of attendees the most.

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# 2.2 Monetization Models in Free-to-Play Games: A Double-Edged Sword for Developers

Alha et al. (2014) show that the success of the F2P monetization model of games has incentivized game developers not to develop new ideas but to copy each other's game ideas. One of the biggest problems observed in the literature is the pay-to-win elements of F2P games, which means that the players with the most purchases get unfair advantages over players who pay less money in the game (Alha et al., 2014; Hamari et al., 2020; Hunyh et al., 2019). Davidovici-Nora (2013) argues that players exposed to a high volume of in-game microtransaction advertisements may experience a disruption in their immersion within the game. Xiao & Henderson (2019). Ravoniarison and Benito (2019) explain that people have various relationships with these monetization models; some may find these purchases frustrating or intrusive, and some appreciate the convenience and the opportunity to enhance their gaming experience. Davidovici-Nora (2013) argues that an academic consensus on immersion and in-game microtransactions must be reached. However, there is a vast array of ethical considerations, and the following chapter aims to review the related literature.

2.2.1 Ethical Considerations, User-Centric Models, and the Balancing Act

In F2P games, there are occasions when the player can not directly purchase the goods with real-life currency but is required first to buy a premium currency in the game to be able to use that currency to buy the in-game goods. In certain situations, the exchange rate between real-world currency and the premium currency may be abnormal, making it challenging for players to easily convert each specific purchase of goods with a monetary value. Constructing a currency with an abnormal and hard-to-understand exchange rate between real-life money and the in-game currency is ethically problematic because it is designed to deceive the player (Xiao and Henderson, 2019; Taylor and Thompson, 1982). Xiao and Henderson (2019) and King et al. (2019) suggest self-regulation and codification of ethical monetization models as law as potential solutions. Xiao and Henderson (2019) propose listing prices in real currencies to design solutions without the goal of deceiving the users.

Nandita's (2021) study takes a unique and philosophical approach to video game monetization by applying Kant's ethics, a renowned moral framework, to evaluate the ethical implications of various business models within the gaming industry. This novel approach extends the discussion beyond mere financial considerations to a broader ethical discourse, with significant implications for the industry and, importantly, the component of usability and accessibility in UX. Similarly, Petrovskaya and Zendle's (2022) study categorizes and exposes predatory monetization practices in digital games from a player's perspective, raising awareness of these exploitative techniques. This awareness is crucial for safeguarding player well-being and trust while fostering a more ethical gaming environment. Both studies collectively emphasize the profound impact that ethical considerations and the absence of predatory practices have on the user experience, highlighting the need for industry reflection and ethical game design to ensure players have a positive and enjoyable gaming experience.

By applying Kant's ethics to video game business models, Nandita's (2021) study scrutinizes various practices such as in-game purchases, loot boxes, and other monetization methods. It questions whether these models can withstand the Kantian test of universalizability, which in this case is the question: Are these monetization strategies

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something that could, ethically speaking, be applied universally to all players? This test emphasizes the importance of consistency and rationality in moral decision-making. It encourages developers to consider the consequences of universalizing their actions and decisions to avoid principles resulting in a logical or moral inconsistency when applied universally. Similarly, Petrovskaya and Zendle's (2022) study categorizes and exposes predatory monetization practices in digital games from a player's perspective, raising awareness of these exploitative techniques. This awareness is crucial for safeguarding player well-being and trust while fostering a more ethical gaming environment. Both studies collectively emphasize the profound impact that ethical considerations and the absence of predatory practices have on the user experience, highlighting the need for industry reflection and ethical game design to ensure players have a positive and enjoyable gaming experience.

Nandita's (2021) study shows how monetization strategies that align with ethical principles can enhance players' enjoyment and long-term engagement with the game. Players are more likely to continue playing and inserting more in the game when they feel that the game developers and the industry treat them fairly and ethically (Nandita, 2021; Freeman et al., 2022; Flunger et al., 2017).

To expand on how to design the F2P business model to increase positive UX, Ravoniarison and Benito (2019) explain that user-centric monetization models, which they explain puts the users' perspective at the center of the discussion, the gaming industry should develop strategies that are more in tune with the preferences and needs of players. Freeman et al. (2022) and Salehudin and Alpert (2022) also explain that fairness in in-game purchases builds trust between players and game developers.

Freeman et al. (2022) explain that perceived fairness from players stems from in-game equitable and transparent purchases. The satisfaction explained by Freeman et al. (2022) encompasses various facets, including the sense of value for money spent, the absence of exploitative tactics, and the overall perception that the game respects the player's interests. Flunger et al. (2017) add another perspective on the implication that the development of the F2P model in modern games has moved from making games more inclusive by removing the necessity to pay a price to access games to make games more exclusive in terms of accessibility because of paywalls.

Ultimately, Nandita's (2021) notion of the ethical stand and Ravoniarison and Benito's (2019) as well as Freeman et al. (2022) perspectives on user-centric monetization models to foster trust and enhance user satisfaction encourage players to continue to play games and support developers through in-app purchases. With the F2P model, the developer has to constantly monitor the game economics based on metrics to manage the player base's growth while maximizing the player base's profitability, which in turn risks creating conflicting goals between maximizing profitability and UX (Davidovici-Nora, 2013).

#### 3.0 Comparative Analysis

This comparative analysis will compare Alha et al.'s (2014) and Flunger et al.'s (2017) studies against each other from the perspective of how P2P and F2P impact the credibility of game development firms. Firstly, the observed significant themes in both articles are pointed out. Both articles' perspectives on each observed central theme will be discussed, and finally, the concluding section will discuss the differences and similarities between the two articles.

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#### 3.1 Professional Perspectives vs. Academic Insights

Alha et al. (2014) and Flunger et al. (2017) studies share a common theme of examining the F2P monetization model and its impact on the game development industry. Both articles analyze the advantages and disadvantages of the F2P model and how it has changed the gaming industry. The differences between the two studies stem primarily from the fact that they are based on different perspectives. Alha et al.'s (2014) study is conducted with game development professionals as subjects, and Flunger et al.'s (2017) perspective are from previous scientific publications. By comparing these two articles, the first common theme is that both of them discuss that the F2P monetization model has and will continue to change the game development industry compared to the more traditional P2P model. Alha et al. (2014) argue that the game industry professionals view the change as positive as they are enabled to create games that a larger audience can more widely play; on this point, Flunger et al. (2017) agree. However, when it comes to the negative aspects, the studies slightly differ. Alha et al. (2014) study is from the professional's perspective and observed some concerns, mainly about the exploitative and unethical nature of confident F2P design choices, which can cause playability problems and poor game experiences. Flunger et al. (2017) describe why and how users could be motivated to purchase within a game. They describe that one method is to implement inconvenient gameplay in terms of frustration.

Nevertheless, Flunger et al. (2017) describe that it is crucial to keep the frustration at a specific limit; otherwise, the user could feel that progress would only be made by paying. Thus, a balance that elevates frustration but does not discourage the player has to be found. Even though both studies have different perspectives, it is interesting that they come to the same conclusion: as the monetization model is moving from P2P to F2P, the designers are shifting from designing for the ultimate and most enjoyable UX to designing for optimal monetary return.

#### 3.2 Ethics in F2P Game Design: Balancing UX and Monetization

The studies delve into the balancing act between designing for UX and profitability. Alha et al. (2014) explain that game developers are balancing between fun, getting revenue, and increasing conversion rate, which is a challenging problem. Alha et al. (2014) argue that F2P games should be designed responsibly by making it more evident and visible that even though the game is free, it includes voluntary in-app purchases. The game should also state clearly what the player is paying for and what the player is getting in return. The decision to purchase anything in the game or refuse to purchase is the player's decision to make (Alha et al., 2014). Flunger et al. (2017) bring another perspective to the debate when they explain that designing games is currently undergoing a development stage where the game design practice is transitioning to become a balancing act between designing for fun and designing to motivate users to purchase virtual content as frequently as possible while building a large user base. Flunger et al. (2017) also suggested that virtual game items should be presented dynamically by presenting inexpensive items that fit the players while not overwhelming them with expensive premium content. Combining both ideas means that in-app purchases clearly state what the player is paying for and getting in return while dynamically presenting inexpensive items first.

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Nevertheless, the problem in terms of ethical considerations still stands, which none of these two studies treats in any meaningful manner. However, the idea of Flunger et al. (2017) could be elaborated to treat one aspect of the ethical dilemmas of people with game addiction or gambling problems. The idea could be to expand upon the idea of dynamically presenting items in the shop, to let the player actively opt out of constant reminders to buy things but instead get advertisements and pay an upfront amount. There could even be a separate client, P2P, instead of F2P; the choices and the idea's feasibility would require further research.

## 4.0 Theoretical Contribution

This section explores the theoretical contributions of this research paper. Whetten's (1989) framework will guide in navigating *what*, *how*, and *why* the research paper contributes to theoretical understanding of the subject.

The present study primarily addresses a gap in the literature and makes an essential theoretical contribution. The "what" in this study sheds light on the misconception users have surrounding the F2P monetization model and the necessity of finding a solution to effectively explain the monetization model games before the user downloads them. The "How," as unraveled in the comparative analysis, allows the user to actively choose between P2P or F2P before downloading the game.

Lastly, as observed in the literature, the "why" in explaining monetization models is becoming increasingly important with the ever-changing transition from P2P to F2P and people's different views and perspectives on what F2P entails. The explanation would reduce the gap between expectation and reality for the player, fostering a better relationship between the player and the game by being more transparent. As observed in the literature, the emerging change in the role of game designers to focus more on optimizing for monetary profit instead of the ultimate UX could also be achieved by aligning with ethical principles that can enhance players' enjoyment and long-term engagement with the game. As described by Nandita (2021), Freeman et al. (2022), and Flunger et al. (2017), players are more likely to continue playing and inserting more money into the game if they feel that the game treats them fairly and ethically, which increased transparency could do potentially do, further research is required to test and understand the statistical interaction.

In conclusion, the analysis, guided by Whetten's (1989) framework, contributes to understanding the game development industry's dynamics, shedding light on the need for future research and careful further development regarding ethics in the ever-changing landscape of game monetization and its relation to perceived positive UX.

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#### 4.1 Reflection On Theoretical Contribution

In this chapter, the researcher examines the limitations of the theoretical contributions. Finally, the research explores potential future research directions that can build upon or refine the theoretical insights presented in this article.

Several limitations of the conducted research can be observed. Firstly, the monetization models in games are an ever-changing field. While the researcher aimed to have the most recent and relevant sources, some of them could be argued to be outdated, which implies that there is a risk that they are not correct anymore. Secondly, the research does not explicitly address cultural considerations in the context of game monetization models. Cultural factors can influence player behavior and perceptions, and the absence of this aspect in the article limits its cross-cultural applicability.

Several potential future research directions would build upon and refine the article's theoretical insights—validate and test the proposed solution for the misconception in the F2P monetization model. Future research could focus on testing and validating the proposed solution, particularly the effectiveness of allowing users to actively choose between P2P and F2P before downloading the game. Another potential research direction could be to test how the long-term impact of ethical game design, characterized by increased transparency in the monetization model, can enhance players' enjoyment and long-term engagement in games. It would be essential to delve into the long-term impact of such ethical principles on player behavior, game revenue, and overall player satisfaction. Thirdly, future research could conduct quantitative analysis of player behavior to understand the statistical interactions between increased transparency, ethical game design, and player behavior, using metrics such as player retention, in-game purchases, and overall user satisfaction. Lastly, future research could explore game designers' challenges and opportunities in balancing financial goals with ethical considerations and how these challenges and opportunities impact the game design development process.

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Grade:	
Comments:	

#### **Explanation of comments**

- **C1**: *Missing reference.* The highlighted text needs to be supported with a reference to scientific literature or other (contextually) valid source.
- **C2**: *Incomplete reference*. Reference is missing fundamental formating information, such as page number, publication year, or is missing in the reference list.
- **C3**: *Attribution error* Reference has been placed in such a manner that it is unclear what part of the text is attributed to. E.g: "*The Hollywood film 'Avengers: Age of Ultron' (2015) has a narrative structure based on the hero myth (Propp 1928)"*. The problem is that Vladimir Propp died in 1970, and couldn't consequently have analysed a film from 2015. The correct usage requires rephrasing: "*The hero myth as foundation of narrative structures (Propp 1928) permeates the movie 'The Avengers: Age of Ultron' (2015).*"
- **C4**: *Reference doesn't support argument* Reference can't support the intended argument(s), i.e. the reference's message is not consistent with the intended meaning.
- **C5**: *Reference repetition* Reference is used too often, and the text needs a broader selection of references.
- **C6**: Spelling, grammatical or sentence construction error
- **C7**: *Colloquial language* A university text cannot contain colloquial language (as long as it is not an explicit subject of inquiry).
- **C8**: *Mechanical text summary* Text is based on mechanical repetition of source literature in terms of summaries, instead of analyses/reflections.
- **C9**: *Subjective reasoning* Text is based on personal ("I") opinions, perspectives and feelings in a way that doesn't constructively contribute to the analysis.
- **C10**: *Anthropomorphic analysis.* <u>Anthropomorfism</u> is the attribution of human traits, emotions, or intentions to non-human entities. Example: "This campaign shows that Coca-Cola has an eco-perspective". The problem is that Coca-Cola is *not* a person, but an organisation with thousands of employees they *do not* think as one person. The correct usage requires rephrasing: "*Coca-Cola's campaign is based on eco-centric themes, as witnessed by the emphasised use of the term 'natural resources' in advertising and marketing communications"*.
- **C11**: *Confirming theoretical analysis* The analysis consists of confirmative arguments i.e. "*This case is the same as in the literature (Reference 1234)*". The analysis should be based on active demonstration of theoretical understanding that goes beyond basic identification of similarities.

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Thesis Compiled by: Vivien Geschwind Title of thesis: Comparative Analysis of Personalization Levels and their Potential in Terms of Effectiveness: A Review of the Literature Opponent: Julius Sellgren

#### Short summary of the report

The study delves into the era of Big Data, where personalization is a vital economic force, enabling companies to cater to customer needs more effectively. The report suggests that mastery of personalization boosts revenue by 40%. However, the study argues that there needs to be more diversity in defining and implementing personalization. The study suggests that perceived personalization, not depth, is crucial for effectiveness. The article also explores personalization levels, emphasizing the impact of user perception and raising questions about when to invest in advanced strategies.

### Was it easy to understand the underlying purpose of the project?

The underlying purpose was both straightforward to understand and very well written. The introduction explains that user personalization generates more revenue and companies that ignore it risk being left behind by competitors. The introduction continues and brings exciting nuances, which made me very interested in continuing to read the report. However, some aspects could be improved. I would remark on the problematic nature of writing a statement and then actively search for an article that fits the statement. One could find anything if the person were to search for it, whatever they are searching for actively.

An example is if a researcher tried to find proof that the earth is flat with a narrow enough thesis, the researcher could find something confirming it. A researcher needs to bring more nuances and perspectives into the matter and write after finding resources about it rather than finding resources supporting their preemptive claims. But I am very much interested in the thought process here. In this case, why have you written a statement before finding resources that support the thought?

#### Literature review

The metatext for this chapter is very good. As a reader, it gives me the context of the literature, even though it is very simplistic.

In the literature, when the author explains different styles of personalization with Spotify wrapped and Netflix exciting methods, the author uses the terminology "system," which raises some questions. As the intended target group of this report is people with the equivalent experience as a master's student in the field of media technology, I would use another word that describes it better. Yes, it is a system, but writing it as only a "system" makes me question the author's knowledge as a reader. It is incredibly confusing for me as a reader

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because you show an advanced understanding of this exact concept later in the text, also regarding the examples of Spotify wrapped and Netflix and their approach to personalization. Concrete examples to illustrate the concepts and elaborate on how these platforms implement personalization and the impact on user experience would help the reader understand more. The question to the author: Is there some implicit reason why you stated it to be a "system" and did not emphasize what kind of system it is? If so, why?

The last paragraph of the literature chapter describes how the personalityzation approach does not seek to replace existing strategies but rather complement them by providing valuable insights for incorporating design elements into the interface and potentially boosting user satisfaction and performance. **How could incorporating personalityzation elements increase user satisfaction?** 

#### Discussion

Overall, the discussion has good grammar and is well-written. It includes most of the components of a good discussion chapter. As it gives a brief recap of the key results, it interprets the results very well. The implications of the results, showing why they matter, are very well done, but the discussion is completely lacking regarding limitations and recommendations for further research.

## Theoretical contribution and conclusion

It is impossible to give thorough, constructive criticism on something that is quite far off, which I find this chapter to be. What are your thoughts on the theoretical contribution of this report in terms of What, how, and why, as described by the course literature? What is the next step for future research in your mind? What are the limitations of your study, both with the methods used and your capabilities as a student who is learning?

#### References

The in-text references are correct. It is very well done and professionally represents what each reference and author state. I would remark on the reference list, which is not in alphabetical order, and that there are missing doi's and some other errors in reference format. I would advise the author to have a look at <<u>https://library.aru.ac.uk/referencing/harvard.htm</u>>. But I understand that the reference list is currently under construction, as a comment below states that references are missing.

#### Structure-Related Remarks

The structure is very well done and has a clear red thread. Maybe a remark from me on this subject would be to potentially number the chapters, as I get pretty confused on whether the chapter called "levels of personalization" is a sub-chapter of a literature review or not. I wonder what your thoughts are on this matter. Do you believe it is clear enough, or

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would you like to number them or change the font size or something else to make it more straightforward?