

Consumer behavior and free trials: What makes a customer stay?

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Free trials are wildly popular, but customers attracted with these promotions behave very differently from standard customers, according to a new study in the *Journal of Marketing Research*.

"Free-trial acquisition may affect the nature of a customer's relationship with the service provider," write authors Hannes Datta (Tilburg University), Bram Foubert (Maastricht University), and Harald J. van Heerde (Massey University). "The relationship in turn influences usage and retention behavior, responsiveness to marketing activities, and ultimately how long the consumer will remain with the service."

Examining household data from customers of a large European digital TV provider, the study found that people attracted by free trials formed a distinctly different association with the company compared to regular customers. Free trial customers disappeared swiftly after the trial, staying only 1/3 as long as regular customers. At the same time, free trial customers proved to be more responsive to marketing efforts and usage rates.

Usage intensity may be an important key to keeping customers in general because it reminds them about the personal value of the service. When it comes to free trial customers this effect appears to be particularly strong, suggesting it may be in a firm's interest to encourage usage among these customers.

"Because of their higher turnover rate, free trial customers are, at first

glance, worth considerably less than regular customers. Companies may have to reduce profit expectations if the [customer](#) base includes a substantial share of free-trial subscribers. But this study found that free trial customers are also more "malleable" than regular customers. They have a less-developed relationship with the firm, and are less certain about the service benefits. Targeting free trial customers with marketing communication and information on their own usage behavior may have a big impact on encouraging them to retain the service," the authors conclude.

More information: papers.ssrn.com/sol3/papers.cfm?abstract_id=2060645

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