

Why businesses should offer free trials to existing customers

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Everybody loves free stuff. Credit: MoneyforCoffee from Pixabay (cc)

Everybody loves freebies, whether it's a tasty treat handed out at the supermarket or a month of Netflix. These campaigns are a great way to bring attention to a new product or service, and marketers use them to target new customers and grow their customer base.

But offering free trials to existing customers might seem like a waste of

time, after all, your customers are already sold on your product.

However, a new study, published in *Management Science*, looked at what happened when a telco offered free mobile phone data to existing users, and found it was an effective way to increase sales, particularly if customers could share the offer with friends.

"It might seem like a waste of resources to provide a free trial to existing customers, but that is not what we found, and surprisingly, higher data usage customers were more likely to redeem the offer than lower usage customers," says marketing researcher Dr. Hillbun Ho from the University of Technology Sydney.

"We expected low usage customers would be more likely to take up the offer and increase their usage. However, low usage customers were largely unresponsive to the free trial," he says. Many of the customers who took up the offer then continued their higher usage after the free trial campaign ended, increasing sales for the company.

And when the [company](#) gave some customers the option to forward the free trial to friends who were also existing customers, both the sharer and the recipient were more likely to redeem the offer, and continue the higher data usage.

These results have important implications particularly for companies that offer online 'experience products' such as gaming, collaboration tools or music streaming services, where customers need to experience it to appreciate its value, says Dr. Ho.

"When [software companies](#) promote their products, they frequently use a "freemium" model, where the basic [version](#) is free but customers have to pay to get access to more advanced functions or features.

"These companies often face challenges in migrating customers from the free version to the paid version, because the [free version](#) customers have no experience in using the advanced functions that are only accessible to paid users.

"Our research suggests that providing free or lower cost [trials](#) to the paid version for a short promotion period is likely to increase the trial users' appreciation of the product, inducing take-up of the paid version," he says.

The research findings also suggest that to increase the impact of free trial campaigns, marketers can leverage the "power of sharing" by including a sharing feature in their offer.

Previous studies have shown that businesses can save five times more money when they retain customers rather than look for new ones.

More information: Sadat Reza et al, Experience Effect in the Impact of Free Trial Promotions, *Management Science* (2020). [DOI: 10.1287/mnsc.2020.3613](#)

Provided by University of Technology, Sydney

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