

# Using freebies to make a profit

**P**eople often don't realise the value of something until they actually try it, and they may be reluctant to try it if they have to spend their hard-earned cash. A free introductory offer could go a long way in unlocking this value for potential buyers. In fact, research shows 42% of consumers pay for new products and services after they first experience them for free.

To get a foothold in the marketplace, the owners of products such as Rovio's Angry Birds, LinkedIn and Skype have all used the so-called 'freemium' business model – giving away a basic version of their product or service for limited or one-off use but charging a fee or a premium for more advanced or long-term use. Small, independent business owners and freelancers can employ this model too, from therapists and consultants, to web services and career or health and fitness coaching.

So how exactly do you make 'try before you buy' work so that you're not left out of pocket?

## 'Free', but what is it worth?

Counselling psychologist **Dr Julie Scheiner** offers free one-on-one taster sessions to help people decide if they want more therapy sessions with her. "The monetary value is £120 per 50 minute session," she says. "I don't advertise it and usually only offer it to those who would otherwise find it difficult to pay for a course of therapy in full."

With online copywriting service **Copify**, you get the first 300 words of your article, press release or web page for free: "The RRP is £9 plus VAT," says co-founder Martin Harrison.

**Drinking Classes** runs corporate and consumer tasting events: "We give away free tickets worth £65-£85 to our consumer events to generate corporate

**Turning prospects into paying customers isn't easy, especially if you're working with a small marketing budget. IWONA TOKC-WILDE reveals how some businesses have won paying customers by giving away their products and services for free.**

event work, so that people think of us for their next teambuilding, client hospitality night or Christmas party," says managing director Kate O'Neil.

Anger management expert Julian Hall from **Beating Anger – Derby** offers a free Stress Test, Anger Test and a downloadable Keep Your Cool Kit. "My site averages 800-1,000 visits a month and roughly 20% of visitors either take the free tests or download the kit," says Julian.

PR consultants do it too, to grow their client base. "As a new business we needed to raise our profile amongst small businesses in Staffordshire, so we ran a *Dragons' Den*-style competition earlier this year where we gave away £5k of PR support to the winner, another local business," says Jade Griffin, account manager at PR agency **Purple Sprout**.

## Conversion rates

So how many people took advantage of these freebies and free introductory offers? And did the model work – did people actually become paying customers?

Dr Julie Scheiner's conversion rate is 90%, which means nine out of ten people who get the free taster session proceed to sign up for therapy. Martin from Copify is optimistic about the approach: "We've been trading the free offer since September and had 16 customers take advantage of it in the first two weeks, so I anticipate 30 free

trials a month," says Martin. "It's early days yet but I hope at least 50% of those will return later as paying customers."

Drinking Classes doesn't measure how many of those who take up free tickets to consumer events come back to book corporate events. "But almost all of them do," says Kate. "And then, even if it's not immediate, we almost always see a repeat booking for a corporate event so it's a great return overall."

For Purple Sprout the competition campaign generated a lot of publicity and resulted in new clients and new work opportunities. "We got coverage from the regional, trade and online media," says Jade. "Since running the competition our client portfolio has grown from 3 to 16. Not all new clients have come directly from the competition entrants but the coverage we received, along with the connections we made, has helped us secure some of them."

**Don't expect a hundred new clients overnight**

"We hope the competition winner will become a permanent client, too, and we're also now quoting for event management briefs, product launches and international marketing campaigns for other competition entrants."

Julian Hall can also see the benefits: "It works but in this business it's a slow burn – our full, paid-up service usually only gets taken up when people are about to lose their marriage, their children or their liberty. Also, it would be difficult to measure how many become clients after the free downloads as people engage with us having read blogs and articles, too."

"But I do know from my CRM system that over 50% of my clients have downloaded the kit and taken tests before joining an anger management course." And there is another benefit. "The traffic created by people downloading the kit keeps the site high in search engine rankings."

### Starter advice

If you're thinking about trying out the 'freemium' business model, says Julian, make sure you're able to track the potential buyer's journey with you from their first freebie to when you convert them into fee-paying customers. Only then will you be able to measure with a degree of accuracy whether the model works for your business.

## Anything you give away for free is a direct hit on your bottom line

Direct your efforts at the right audience. "We specifically target corporate event organisers," says Kate O'Neil. Be sure that what you're offering is relevant and of value to potential buyers. "We targeted other businesses and offered something that some simply cannot afford to pay for," says Jade Griffin. "I'd also say that your free offering must be of a high standard and leave people wanting more. This way you will win their custom and possibly generate referrals."

You need to be clear on your message, too. "It would be easy for us to shout 'Free booze!' and get people queuing up but we want them to 'Drink less, drink better'," says Kate. "We only give free event tickets to those who we know will enter the paid events understanding it's not just about fun but about education too".

After they've taken up your freebie or free introductory offer, be clear about the next step you want people to take, says

Eve Menezes Cunningham, wellbeing, PR and marketing coach at **wellbeing-at-work.co.uk**: "And make it easy for them to take it."

Follow-up is crucial, too: "We've spent a great deal of time working on the leads generated by the competition," says Jade from Purple Sprout.

Don't expect to bag a hundred new clients overnight, though. "The notion that giving people something for free will eventually bring you riches beyond your dreams simply isn't true," says Kim Nash, sales and marketing manager at PR company **The Marketing Room**. "By providing free advice or products your aim is to become an 'expert' in your field so that you put yourself in the forefront when people are looking to use a business such as yours. You want them to remember you."

### Challenges and pitfalls

There's no two ways about it – anything you give away for free is a direct hit on your bottom line. "You have to be careful about the time and effort you spend on this rather than working on what you know will earn you money," says Kim. "Make sure your target audience isn't just looking for something for nothing and manage their expectations about the value of what you're offering."

In many instances, once someone has had something for free, they won't want to pay. "For example, a few months ago my favourite pizza place started doing a special offer by cutting their prices by a third," says Eve Menezes Cunningham. "I got used to the cheaper rate and when the promotion ended, I didn't buy the pizza at the full price even though I'd once considered it good value. It may be a coincidence but they've since closed."

There is a fine line between giving away too much and having a viable business. "As a therapist, I think carefully about giving away my time because my time is a valuable commodity," says Dr Julie Scheiner. "I have to consider how likely someone is to sign up for therapy and factor that in."

Eve adds: "You don't want to give away too much but you do need to give enough value so that the potential client develops trust in you and your service."

Finally, be careful about extending the offer to new customers only. "You don't want to penalise loyal clients and customers by offering potential new ones a better deal. Find a way to keep things separate or you could have your 'old' clients suddenly balking," says Eve. ♦

