

SHOPPING FOR FREE: A SYMBIOTIC ANALYSIS OF MARKETPLACE STRATEGY AND CONSUMER RESPONSE

PhD. Student **Dragos CHIVU**
The Bucharest Academy of Economic Studies

ABSTRACT

The impact of pricing on consumer buying behavior has been widely studied, with research (McKinsey and Company¹) showing that the impact of pricing strategies on buying process is the most significant factor in the marketing mix. As markets become more and more competitive, however, the differentiation pressure has turned to an interesting phenomenon: offering of free goods and services in exchange of attracting consumers to their brands and experiences.

The goal of this article is to review a few manifestations of this concept as well as to highlight, without being exhaustive, some relevant research findings related to this unconventional way of influencing the consumer purchasing behavior.

KEYWORDS: *buying process, trends, consumer behavior, free of charge, customer value*

Theoretical aspects of buying behavior

Consumer behavior can be defined as representing the totality of the decisional actions performed by an individual or a group, directly connected to obtaining and using of goods and services, towards satisfaction of current and future needs, including the decisional processes that precede and determine these actionsⁱ.

The conventional buying process presumes a sequence of five stages, as follows:



Fig. 1 The five stages of buying behavior

The *need acknowledgement* has motivation as associated psychological process, since motivation is a determinant factor for action. Belch & Belchⁱⁱ (2007) explain the concept of motivation on the basis of Maslows' pyramid of needs, and on Freuds' psycho – analytical theory.

The *research for information* is made either internally (in the consumers' mind) or through external research. Information is vital for the consumer, as the more information he will gather about a product/service, the more aware and close he will feel regarding that particular product. Cotte, Chowdhury, Ratenswar & Ricciⁱⁱⁱ (2006) estimate that the process is different if acquisitions are made for fun or in order to satisfy certain utility.

Evaluation of available options refers to the mental scoring that the consumer creates when evaluating possible alternative, thus allowing him to incline towards the

alternative presenting the most advantages. Belch (2007 p.117) identified a series of marketing tactics which can influence the process of evaluating the alternatives (attitude alteration tactics).

The *purchase decision* presumes the consumers' firm commitment to a brand, a product, a supplier, an acquisition moment and a purchased quantity. In between the intention and the decision to purchase a product/service, two factors may interfere: the attitude of others and unforeseen conjuncture factors. Because of this, organizations strive to create favorable circumstances for the purchase decision, by making use payment facilities, promotions or even the option of getting more value than the customer paid for.

The *post-purchase behavior* refers to the evaluation that the customer makes after the acquisition. The bigger implication the acquisition required (financial, psychological), the more intense the cognitive dissonance phenomenon appears – the doubt that he made the right decision. This phenomenon must be treated by the marketing organizations, towards reducing the act of dissonance.

The internal psychological process associated with the post – purchase behavior is learning. Belch and Belch (2007) thought out two types of post – purchase learning: theory of behavior and learning intellectual theory.

Taking the price out of the marketing mix

Attracting new customers is probably the most laborious and expensive part of marketing. Once the market has been divided, analyzed, and the objectives have been set, the company continues with the customers' acquisition process. The company communicates its offer to the targeted divisions, highlighting its value and the distinguishing elements, hoping to attract new customers. In a traditional way, the compensation for this effort, as well as the cost of the good sold, translates into price.

The *shopping for free* concept represents the response to the continuous increase of free goods and free services offered towards traditional or online customers.

The shopping for free pattern has five main manifestations:

I. Any excuse is applicable in advertising

In the past ten years free daily papers have appeared in practically all European countries, and on the majority of the markets in the rest of the world. In December 2007 there were 52 countries with such products in circulation. In 12 European countries, free daily papers have sensibly larger circulation than the traditional, paid ones. At the end of 2008 there were about 1.700.000 sites on the internet offering news for free.

In telecommunications, *Blyk* (www.blyk.co.uk) is the first European operator financed by advertising. From September 2006 until today they have offered over 700 promotional campaigns to their subscribers. This business model will be soon replicated in the United States by *Mosh Mobile* (www.moshmobile.com).

In Belgium, *Pumbby* (www.pumbby.be) offer money to every mobile phone subscriber, regardless the network, in exchange of receiving 10 promotional text messages per day. *Talkster* (www.talkster.com) offers international phone calls at the price of local calls in the exchange of listening to a promotional message at the beginning of each call. *Jaxtr* (www.jaxtr.com) offers the same service in over 220 countries, using the callback method. *Pudding Media* (www.puddingmedia.com) offers free Volp calls while their promotional messages are displayed according to some relevant key words detected during the call.

Air transport industry development is maybe the most interesting: if today the business model of low-cost operators no longer surprises anyone, the appearance of ultra-

low-cost airlines is at least original. During the 16 – 21st of May 2007, *RyanAir* (www.ryanair.com) has offered a million free plane tickets (with no supplemental taxes whatsoever). In the first five hours of the campaign, more than 4.000.000 visitors have accessed the company web site. Even nowadays, about a quarter of the customers that choose to fly with *RyanAir* beneficiaries of free of charge tickets. The company is partially financed by advertising placed on the back of the seats, on the outside of the airplanes, and so on.

LaudaMotion (www.laudamotion.com) rent a car company allows a Smart advertising vehicle rental for exactly three days, in exchange of daily drive of at least 30 km, in order to get full promotional messages exposure.

FreeloadPress (www.freeloadpress.com) offers free high school manuals in electronic format, in exchange of promotional messages display in between the chapters. The printed version with no commercials is also available, but for sale. *Ventus Publishing* (www.studentsupport.be) offers the same concept in 5 European countries.

II. Saturated customers oriented promotion

This type of promotion is generally preferred by new entry or relatively unknown brands in the attempt of attracting the customers' attention and it is based upon sampling (products which may be tested prior to proper purchase).

JetBlue (www.jetblue.com) airlines offers free Philadelphia cheese cream and rolls to all its passengers, thanks to Kraft Foods which sustain a promotion campaign called "Breakfast from Heaven".

The London-based company *Matter* (www.matterbox.co.uk) delivers each Saturday morning free sample collections selected for specific customer profiles, so that the addressees could spend some more time with the products that they receive. Among the sponsors that support these collections are Sony-Ericsson, Nintendo, Nissan and Virgin Atlantic.

Austrian Airlines (www.aa.com) offers free entrance in five museums in Vienna, just by presenting their boarding pass at the museums' counters.

III. Virtual communities

The world wide web has evolved to Web 2.0^{iv} allowing publishing of free content by its users, therefore turning the virtual communities into real sources of information (www.wikipedia.org), images (www.flickr.com), videos (www.youtube.com), and social networking (www.facebook.com, www.myspace.com) and all that for free.

Thus, the users themselves compete with one another in a spectacular exercise in which they offer something, rather than receive.

IV. Exchanging instead of the selling-buying process

There are hundred millions consumers that prefer the exchange of goods instead of buying new ones, whether we are talking about houses, cars, DVD's or books. The only apparent problem would be encountering the demand with the supply.

CouchSurfing (www.couchsurfing.com) is a non-profit initiative which allows travelers from all around the world to find a free bed to sleep in. Solvency crosscheck is done prior to departure, whether through an identity credit card or direct dialog between the traveler and the host. The site hosts 450.000 subscribers and has more than 345.000 residences in 224 countries.

Home Exchange (www.homexchange.com), *Home Base Holidays* (www.homebase-hols.com) or *Intervac* (www.intervac.com) are just a few web site examples which allow residence shifts on unlimited periods, anywhere in the world.

Websites like *Swaptree* (www.swaptree.com), *Zunafish* (www.zunafish.com) and *HitFlip* (www.hitflip.com) put together DVD, CD, books and computer games exchangers.

SwapMyWheels (www.swapmywheels.com) from the Great Britain tries to help vehicle owners to find an advantageous mutual vehicle exchange instead of choosing the traditional way of selling the current vehicle and buying a new or a second hand one instead.

V. Less is more

Besides consumers that offer online content, there are billions of consumers that offer for free a series of goods that they no longer use, to anyone who is willing to get them.

For instance, *Freecycle* (www.freecycle.com) is a website which mediates these transactions. It has 322 Romanian subscribers from Bucharest, Ploiesti and Oradea.

Second-hand stores that offer free products to customers are relatively spread in Germany and the Netherlands.

Summing up, the spectacular development in recent years of the *shopping for free* concept appeared due to several factors:

- The total war to attract the attention of the customers, already saturated by advertising messages;
- The Internet, with its capacity to create, copy and deliver digital content at practically no costs, determining the producers to identify new business patterns, new services, sustained by advertising;
- Continuous decrease of the production costs, which allows offering of goods (almost) for free, even in traditional industries. For instance, television sets average price has decreased with an average of 9% every year starting 1998^v;
- The markets that allow customers to barter instead of the traditional selling-buying process;
- The emergence of the recycling culture;
- The customers expectations to achieve free goods.

References

1. Michael Marn, Eric Roegner and Craig Zawada, McKinsey &Co. (2004), *The Price Advantage*, John Wiley & Sons
2. Iacob Catoiu, Nicolae Teodorescu (2003), *Comportamentul Consumatorului*, Editura Uranus, pg.14
3. Belch, G. E., & Belch, M. A.(2007), *Advertising and Promotion: An Integrated Marketing Communications Perspective*, 7th Edition, McGraw-Hill Publishing House, pp.27-179
4. Cotte, J., Chowdhury, T. G., Ratneshwar, S. & Ricci, M. L. (2006), *Pleasure or Utility?*
5. Tim O'Reilly (2005-09-30), *What Is Web 2.0*, O'Reilly Network
6. US Department of Labour Data (*accessed in 2008*)