

Why Brands Should Give Giveaways

The Share Secrets Lab

GiftAFeeling

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Benefits of Giveaways for Your Business

Giveaways are a promotional tool and a popular marketing tactic commonly used by brands to acquire new customers and increase brand awareness. They can be categorized into two types: sweepstakes and contests.

Sweepstakes where the winners are selected from a random draw. Prizes can be anything you can think of, from cash prizes to an all-inclusive paid vacation getaway. Each type has its entry method and winning strategy, such as online website submission, text messages, and emails. It is also a performance technique that helps drive website and app traffic, which may generate customer interest while also increasing brand recognition.

Contests differ from sweepstakes in that it requires contestants to fulfil a task or to complete some challenges. The winner is chosen based on some criteria such as best photo, best video, best caption and logo re-design, etc. They can boost audience engagement and provides the brand with more opportunities to record customers' interactions (Perry, 2019). Besides, contests encourage customers to connect with your brand because they expect to have fun and possibly win something valuable.

Everyone loves the possibility of receiving something for free. So even though there could be a restricted number of winners during a giveaway event, the brand should be assured about its instant recognition since the giveaway as of now might have increased brand visibility and customers' engagement with the brand.

Giveaways have the advantages of getting the attention of possible customers and helping brands increase sales. A case study discovers how the KnivesShipFree company

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achieved huge success with giveaways (OptinMonster, 2018). KnivesShipFree is an e-commerce store selling different types of premium knives online. In early 2020, their company created a monthly rolling giveaway ahead of plans to launch new knives later that year, with winners announced each month. They have prepared a series of lightbox popup to collect registration information for the contest. A lightbox popup is a window that shows up at the centre of a site page when a visitor is browsing. It uses an overlay to darken the background and partially the webpage content until the visitor closes the popup or takes the desired action, such as signing up for the newsletter, getting special offers, and limited deals. Lightbox popups can grab visitors' attention and grows your email lists. By taking advantage of this opportunity, registrants were added to the company's email newsletter after participating in the monthly contest. The result of this giveaway is astounding -- Just 3 months after sending out the contests, KnivesShipFree has collected over 5,000 new email addresses lists and earned more than \$4,000 in first-time sales from the new subscribers.

For some brands, hosting giveaways is not just about gaining followers and subscribers, it is also about increasing interaction in brand engagement and reinvigorating relationships with former consumers. In an increasingly competitive market, customer acquisition is a key element of the future success of a brand. According to ProfitWell, they reported Customer Acquisition Cost (CAC) has increased by 50% in both B2B and B2C companies over the past 5 years. CAC is calculated by the total cost of sales and expenses to acquire a new customer divided by the number of new customers a company acquired in a given period. It measures how much a company should spend to acquire a new customer. The use of CAC is growing in popularity as companies use it to make data-driven decisions and to determine a company's profitability.

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Besides looking at the CAC, a company should also be looking at its Customer Lifetime Value (LTV) (Skok, 2009). LTV is the revenue that a company earns from its customers. A well-balanced company requires its LTV to exceed CAC. The number of people who remained to be your customers and the amount they spend on your company will greatly impact a company's growth because we do not want to lose money on each new customer. To maintain a brand's sustainability and brand loyalty, a company should lower its CAC by prioritizing customer engagement and using marketing strategies to target audiences that want cost-effective products. Therefore, running a giveaway is a cost-effective strategy to boost sales, and increase customers' satisfaction and retention.

The Psychology Behind Giveaways - The Psychology of "Free"

The best time for a company to host a giveaway is before a new product launch, during the holidays, or to celebrate the company's anniversary. Giveaways can leave a positive impression and that in return encourages them to buy more. There are several psychological factors behind giveaways that can help demonstrate the reason why "free" is compelling. People go through three stages of emotional experiences when they receive free products (Matt, 2014):

1. Low expectations, people have low expectations towards that free product because it is free;
2. Neutral perceptions, people tend to stay calm and feel nothing when trying the product in particular;
3. Positive impression, if the product is better or more useful than expected, people's perceptions will be elevated from neutral to positive.

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But keep in mind that a customer is more likely to purchase your products and have a good impression of your brand when they receive high-quality and useful giveaways. This phenomenon is also called the Zero Price effect (Shampanier, Mazar, Ariely, 2007). People are unable to make rational decisions about whether an item is worth buying when it is priced at zero. "The word "free" only implies benefits and no costs," said Juan Nicolau, a professor of economics at the University of Alicante (Paulas, n.d.). Our decision-making is influenced when it comes to zero benefits. The term affect heuristic refers to our made judgments that heavily relied on our emotions. This is a mental shortcut that allows us to reach a conclusion quickly and effortlessly. This type of heuristic is often used for a range of consumer judgments, including product pricing (zero price effect) and product innovations, etc. When zero-priced items are introduced, customers will take less time to make the purchase decisions because free items have extra pulling power that gives people pleasure. As a result, people often perceive the item as having high potential benefits and ignore possible risks. In other words, when we are offered a free item, we tend to expect so little of the offering, our perceptions become distorted: "there is nothing to lose and why not try it out?" If the item exceeds expectations, people will have left with a positive impression which will gain their trust and most importantly, make a purchase from the company.

Another factor is the principle of reciprocity. The theory of reciprocity refers to the tendency of wanting to give something back when something is received. Giveaways are one of the marketing strategies to get customers to reciprocate and can be the key to building a long-term, mutually beneficial relationship with the customers. People have a sense of obligation to return favors when someone gave us something beneficial. When potential customers receive free gifts from the company, they will purchase some of its products or

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services from the company in return for their kindness. Free products are also a means of establishing mutual trust. For example, giving a free sample of a skincare product allows the customer to test them out first before purchasing a full-size product. The company can keep the reciprocation going once the customers have repaid the goodwill by buying your products or accepting your services, by giving them VIP cards or exclusive promotions.

Final Thoughts

Giveaways are a powerful marketing strategy that promotes your brand and fosters brand engagement with potential customers. What sets your brand apart is making your products memorable to customers. Host your unique and creative giveaways by aiming at your target audience and providing a delightful experience for all the participants. In order to get a wider audience to your giveaways, make sure the barrier to entries are set fairly low and that everyone has met the basic requirements to win the prize.

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