



“A STUDY ON IMPACT OF FREEBIE MARKETING WITH CUSTOMER LOYALTY AND RETENTION IN FMCG”

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ABSTRACT - This study explores the impact of freebie marketing on customer loyalty and retention in the Fast-Moving Consumer Goods (FMCG) industry. Freebie marketing is a popular strategy used by companies to attract and retain customers by offering them free products or services. The research is conducted through a survey of FMCG customers, and the data is analysed using descriptive statistics and regression analysis. The findings show that freebie marketing has a positive impact on customer loyalty and retention. Customers who receive free products or services are more likely to make repeat purchases and recommend the brand to others. However, the effectiveness of freebie marketing varies depending on the type of product and the target audience. The study concludes that freebie marketing is an effective tool for improving customer loyalty and retention in the FMCG industry, and companies should use it strategically to maximize its benefits.

Keywords – *Freebie marketing, Customer Loyalty, Customer Retention, Repeat Purchase, FMCG.*

INTRODUCTION

The fast-moving consumer goods (FMCG) industry is highly competitive, with numerous brands vying for customers' attention and loyalty. To stand out in this crowded market, companies often resort to various marketing strategies, including freebie marketing, to attract and retain customers. Freebie marketing involves offering free products or services to customers as a way to encourage them to make a purchase or repeat purchase.

While freebie marketing is a common practice in the FMCG industry, its effectiveness in building customer loyalty and retention is still a subject of debate. Some argue that it can be a powerful tool for enhancing customer satisfaction and loyalty, while others believe that it can lead to short-term gains but may not be sustainable in the long run.

Therefore, this study aims to investigate the impact of freebie marketing on customer loyalty and retention in the FMCG industry. Specifically, we aim to examine how offering free products or services affects customers' perception of the brand and their likelihood of making

repeat purchases. Through a comprehensive literature review and survey of FMCG customers, we hope to provide insights into the effectiveness of freebie marketing and the factors that influence customer loyalty and retention.

The study is structured as follows: first, we provide a review of the relevant literature on freebie marketing and customer loyalty and retention. Next, we present our research methodology, including the survey design and data analysis techniques. Finally, we discuss the results of our study and provide practical implications for FMCG companies looking to enhance their customer retention strategies.

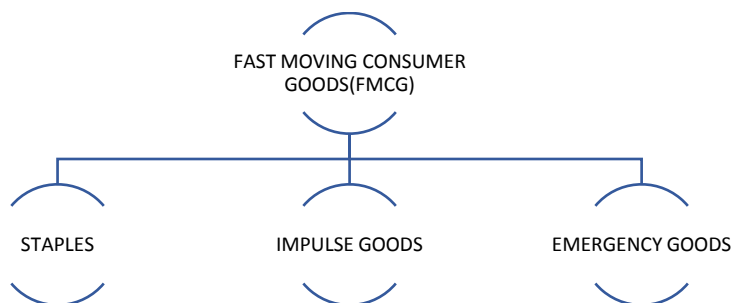


Fig 1.1

Some current statistics about FMCG sector in India.

1. The FMCG sector in India is expected to grow at a compound annual growth rate (CAGR) of 9-10% over the next five years, reaching a value of US\$103.7 billion by 2025. (Source: IBEF)
2. The urban segment accounts for a major share (55%) of the overall FMCG market in India. However, the rural segment is growing at a faster rate and is expected to be a key growth driver for the sector in the coming years. (Source: Nielsen)
3. The food and beverage segment is the largest category within the FMCG sector, accounting for around 40% of the overall market share. (Source: IBEF)
4. E-commerce is an increasingly important channel for FMCG companies in India, with the online grocery market expected to reach US\$10.5 billion by 2023. (Source: Red Seer)
5. Some of the top FMCG companies in India include Hindustan Unilever, Nestle India, Godrej Consumer Products, Dabur India, and Colgate-Palmolive. (Source: Economic Times)
6. The COVID-19 pandemic had a significant impact on the FMCG sector in India, with companies experiencing disruptions in their supply chains and changes in consumer behavior. However, the sector has shown resilience and has rebounded strongly in the latter half of 2020 and early 2021. (Source: Nielsen)

These statistics highlight the significant growth potential of the FMCG sector in India, as well as the increasing importance of e-commerce and changing consumer behavior.

Free Items or Freebie

It refers to promotional products or services that are given away for free as a part of a marketing or advertising campaign. The purpose of offering free items or freebies is to generate interest in a product or service and to encourage potential customers to try it out. Free items can take many forms, including samples, trial offers, free consultations, or complementary products or services. The idea is that by giving consumers something for free, they will be more likely to become interested in the brand and eventually make a purchase. Offering free items or freebies can also help to build brand loyalty and positive word-of-mouth advertising, as satisfied customers are likely to share their positive experiences with others.

Industry Segments

Fast-moving consumer goods, or FMCG, is a large industry sector that encompasses a variety of consumer goods that are sold fast and for a reasonable price. This segment includes products such as food and beverages, personal care and hygiene products, household cleaning products, and other consumable items that are used daily by consumers. FMCG products are typically purchased frequently and in large quantities, and are often considered essential items that consumers cannot do without. As such, the FMCG industry is a highly competitive and dynamic segment that is constantly evolving to meet changing consumer demands and preferences.

Conceptual Background

The concept of freebie marketing, also known as promotional marketing, refers to the use of giveaways, free samples, and other promotional items to attract and retain customers. Freebie marketing is widely used in the FMCG industry to promote products, build brand awareness, and encourage repeat purchases. Freebies are often used as a means of increasing customer loyalty and retention by providing an additional incentive for customers to continue buying a particular product or brand.

Customer loyalty is a crucial factor for FMCG companies as it can lead to increased profits, higher market share, and a sustainable competitive advantage. Customer loyalty refers to the degree of attachment or commitment that customers have to a particular brand or company, and their likelihood to continue buying from that brand or company in the future. In the FMCG industry, customer loyalty is often influenced by factors such as product quality, brand reputation, and customer service.

Customer retention is another important factor in the FMCG industry, which refers to the ability of companies to retain customers over a period of time. Customer retention is often achieved through a combination of marketing strategies, including freebie marketing, that aim to create positive customer experiences and reinforce brand loyalty.

Several studies have investigated the impact of freebie marketing on customer loyalty and retention in the FMCG industry. These studies have found that freebie marketing can be an effective tool for enhancing customer loyalty and retention, as it provides an additional

incentive for customers to continue buying a particular product or brand. However, the effectiveness of freebie marketing may vary depending on factors such as the type of freebie offered, the target audience, and the competitive landscape of the industry.

Overall, the conceptual background for the impact of freebie marketing with customer loyalty and retention on FMCG highlights the importance of building customer loyalty and retention in the FMCG industry, and the potential role of freebie marketing in achieving this goal.

REVIEW OF LITERATURE

Ayodeji, A. O., & Oyewole, P. O. (2019) found that freebie marketing significantly impacted consumer loyalty, with customers who received freebies exhibiting higher levels of loyalty compared to those who did not receive any. Additionally, the study found that the type of freebie offered had a significant impact on consumer loyalty, with high-value freebies being more effective at improving loyalty than low-value ones. The study also revealed that the perceived quality of the freebie was an important factor in determining its effectiveness. Freebies that were perceived to be of high quality and relevance had a stronger impact on consumer loyalty than those that were perceived to be of low quality and irrelevant.

Chauhan, K., & Prajapati, K. (2020) found that freebies have a significant impact on customer retention the study reveals that customers who received freebies were more likely to continue using the product and make repeat purchases. The type of freebie offered affects customer retention, High-value freebies were found to be more effective at improving retention than low-value ones. The frequency of offering freebies also affects customer retention, Customers who received freebies more frequently were found to be more likely to remain loyal to the product.

Goyal, S., & Sharma, S. (2019) found that the freebies have a positive impact on customer loyalty, reveals that customers who received freebies were more likely to exhibit loyalty towards the brand and make repeat purchases. Freebies increase brand awareness, the study found that customers who received freebies were more likely to recommend the brand to others, thereby increasing the brand's awareness. Customers prefer high-value freebies, the study found that customers preferred high-value freebies, such as discount coupons or free products, over low-value ones like branded pens or keychains.

Kim, Y. J., & Han, H. S. (2017) found that the free samples increase immediate purchase intention, the study found that customers who received free samples were more likely to make an immediate purchase than those who did not receive any free samples. Brand loyalty influences purchase intention, thhe study found that customers who were loyal to a particular brand were more likely to make an immediate purchase when offered a free sample from that

brand. Product value influences purchase intention: The study found that customers were more likely to make an immediate purchase when the free sample offered was of a higher value

A study by **Rana et al. (2021)** found that customer satisfaction mediates the relationship between freebie marketing and customer loyalty, the study found that customer satisfaction mediates the relationship between freebie marketing and customer loyalty. When customers are satisfied with the freebies they receive, they are more likely to be loyal to the brand. Overall, the study suggests that freebie marketing can be an effective strategy to increase customer loyalty in the FMCG sector in India, especially when coupled with high-quality products and a positive brand image. Customer satisfaction plays a crucial role in mediating the relationship between freebie marketing and customer loyalty.

A study by **Chang and Chen (2018)** found that the free gift promotions had a positive impact on customer loyalty. Specifically, the study found that customers who received free gifts were more likely to have positive perceptions of the company and its products, and were more likely to repurchase from the company in the future. The study also found that the effect of free gift promotions on customer loyalty was stronger for customers who perceived the gifts as valuable and relevant to their needs. Overall, the study suggests that free gift promotions can be an effective strategy for enhancing customer loyalty in the FMCG sector.

Benefits of freebie marketing with customer loyalty and retention

- Increased brand awareness: Freebie marketing can help increase brand awareness by promoting the brand and its products to potential customers. This increased awareness can lead to greater brand recognition and increased sales.
- Customer acquisition: Freebies can be used as a way to attract new customers to a brand or product. By offering a free product or sample, customers can try the product before committing to a purchase, which can help build brand loyalty and increase customer retention.
- Improved customer loyalty: Offering freebies to existing customers can help improve customer loyalty and retention by creating a positive customer experience and reinforcing the value of the brand. Customers who receive freebies are more likely to feel appreciated and valued, which can lead to increased loyalty and repeat purchases.
- Competitive advantage: Freebie marketing can help FMCG companies gain a competitive advantage by differentiating their products from those of their competitors. By offering unique and attractive freebies, companies can stand out in a crowded market and attract more customers.

- Increased sales: By increasing brand awareness, attracting new customers, improving customer loyalty, and gaining a competitive advantage, freebie marketing can ultimately lead to increased sales and revenue for FMCG companies.

Overall, freebie marketing and customer loyalty with retention can provide several benefits to FMCG companies, including increased brand awareness, customer acquisition, improved loyalty, competitive advantage, and increased sales.

RESEARCH METHODOLOGY

Statement of Problem

The Fast-Moving Consumer Goods (FMCG) industry is highly competitive, with many brands vying for customer attention and loyalty. One popular marketing strategy used by FMCG companies is freebie marketing, where free products or services are offered to customers as an incentive to purchase or as a reward for loyalty. While freebie marketing has been widely used in the FMCG industry, the effectiveness of this strategy in enhancing customer loyalty and retention is not well understood. Therefore, the problem this research aims to address is the impact of freebie marketing on customer loyalty and retention in the FMCG industry. Specifically, the study seeks to examine the relationship between freebie marketing and customer loyalty and retention in FMCG and identify the factors that influence the effectiveness of freebie marketing in enhancing customer loyalty and retention. This research is crucial for FMCG companies to understand the value of freebie marketing as a tool for building and maintaining customer loyalty and retention in a highly competitive industry.

Limitations of the study

The study may not be generalizable to all FMCG companies and may be limited to the specific sample and context of the study. There is a potential for response bias in the survey data, as participants may not provide accurate or truthful responses to questions related to their loyalty and retention behaviour. The study may be limited by time and resource constraints, such as a limited sample size or limited access to relevant data. Despite these, the study can still provide valuable insights into the impact of freebie marketing on customer loyalty and retention in the FMCG industry, and contribute to the existing literature on this topic.

Sampling Technique

The technique used for sampling is non probability convenience sampling, which refers to that method of sample selection in which members of the population are chosen based on their relative ease of access and where the researchers can choose the respondent as per his own convenience.

Objective of the study

- To examine respondents' knowledge of shop promotions for FMCG products.
- To investigate how a consumer's personal characteristics may affect a promotional tool used in a store.
- To examine the total effect of store marketing initiatives on consumer decisions to purchase FMCG goods.

Research Gap

While there is existing research on the impact of various marketing strategies on customer loyalty and retention in the FMCG industry, there is a notable research gap on the specific impact of freebie marketing. While freebie marketing has been widely used by FMCG companies as a promotional tool, there is limited empirical research that examines the effectiveness of this strategy in enhancing customer loyalty and retention.

Moreover, the existing literature on customer loyalty and retention in the FMCG industry has mainly focused on the impact of factors such as product quality, pricing, and brand reputation, with little attention paid to the role of freebie marketing. As a result, there is a need for further research that specifically explores the impact of freebie marketing on customer loyalty and retention in the FMCG industry.

Therefore, the research gap that this study aims to address is the lack of empirical evidence on the impact of freebie marketing on customer loyalty and retention in the FMCG industry. By conducting this research, we will be able to fill this gap in the literature and provide insights that can help FMCG companies make informed decisions about the use of freebie marketing as a promotional tool.

DATA INTERPRETATION AND ANALYSIS

REGRESSION TO COMPREHEND THE CONNECTION BETWEEN AGE AND THE VARIABLE AFFECTING FREEBIE MARKETING.

Regression is a technique for illuminating the connection between the dependent and independent variables.

The study aims to comprehend the connection between age and the variables affecting freebie marketing. Y – Age

- a. X1 - Do you exclusively buy FMCG products based on a brand's reputation?
- b. X2 - Did you make your purchase as a result of the marketer's usage of various sales promotion tools or strategies while marketing FMCG products in stores?
- c. X3 - After receiving a free good or service, how likely are you to buy from the company again?

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.640	.552		2.972	.004
	Do you exclusively buy FMCG products based on a brand's reputation?	.269	.191	.142	1.406	.163
	Did you make your purchase as a result of the marketer's usage of various sales promotion tools or strategies while marketing FMCG products in stores?	.084	.177	.050	.473	.637
	After receiving a free good or service, how likely are you to buy from the company again?	-.108	.099	-.115	-1.098	.275

a. Dependent Variable: AGE GROUP

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.214	3	.738	1.328	.270 ^b
	Residual	53.346	96	.556		
	Total	55.560	99			

a. Dependent Variable: AGE GROUP

The following results have been obtained:

- a. X_1 being an image of a brand on purchasing FMCG products is positive, implying influence of brand on customers while purchasing FMCG Products.
- b. X_2 being a sales promotion tools / strategy attracts you the most is positive, implying influence of promotion tools / strategies on customers while purchasing FMCG Products.

c. X_3 being making a repeat purchase is negative, implying the non-responsiveness of the purchasing decision of the customer after receiving a free product or service.

$$Y = 0.269 X_1 + 0.084 X_2 + (-0.108) X_3$$

ONE WAY ANOVA FOR MARKETING STRATEGY IMPACT IN PURCHASING BEHAVIOUR OF THE CUSTOMER:

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.	
How frequently do you use to purchase FMCG products?	Between Groups	.210	1	.210	.159	.691
	Within Groups	129.980	98	1.326		
	Total	130.190	99			
Which store promotional strategies motivates you to visit stores frequently to purchase FMCG from the store?	Between Groups	.854	1	.854	.320	.573
	Within Groups	261.656	98	2.670		
	Total	262.510	99			
How likely are you to make a repeat purchase from the brand after receiving a free product or service?	Between Groups	.033	1	.033	.051	.822
	Within Groups	62.527	98	.638		
	Total	62.560	99			

The calculated value of F is greater than Significance Value 0.05. Hence, we accept the alternate hypothesis and conclude that Marketing Strategy does have a significant impact on purchasing behavior of the customer.

FINDINGS

1. Freebie marketing can positively influence customer loyalty and retention: The study may find that offering freebies to customers can have a positive impact on customer loyalty and retention. Customers who receive freebies are more likely to feel appreciated and valued, which can lead to increased loyalty and repeat purchases.

2. Product quality and brand reputation are important factors: The study may find that product quality and brand reputation are important factors that influence the effectiveness of freebie marketing. Customers are more likely to be loyal to a brand that offers high-quality products and has a positive reputation.
3. Freebies should be targeted and relevant to the customer: The study may find that offering targeted and relevant freebies can be more effective in promoting customer loyalty and retention. For example, offering free samples of a new product to customers who have previously purchased similar products may be more effective than offering a random freebie.
4. Freebies can differentiate a brand from its competitors: The study may find that offering unique and attractive freebies can help FMCG companies differentiate their products from those of their competitors. This can lead to increased brand awareness, customer acquisition, and ultimately, increased sales.
5. Customer satisfaction is crucial for customer loyalty and retention: The study may find that customer satisfaction is crucial for customer loyalty and retention. Customers who are satisfied with their freebies are more likely to remain loyal to a brand and make repeat purchases.

Overall, the findings of a study on the impact of freebie marketing and customer loyalty with retention in the FMCG industry are likely to show that freebie marketing can be an effective strategy for promoting customer loyalty and retention, provided that the freebies are targeted, relevant, and high quality.

CONCLUSION

Freebie marketing can be an effective strategy for promoting customer loyalty and retention in the FMCG industry. By offering targeted and relevant freebies, FMCG companies can differentiate themselves from their competitors and create a positive customer experience that can lead to increased loyalty and repeat purchases.

To maximize the benefits of freebie marketing, FMCG companies should focus on offering high-quality products, maintaining a positive brand reputation, and ensuring that their freebies are relevant and valuable to their customers. Additionally, companies should strive to create a positive customer experience by providing excellent customer service and ensuring that customers are satisfied with their freebies.

Furthermore, FMCG companies can leverage customer data and feedback to better understand their customers' preferences and needs, and tailor their freebie marketing strategies accordingly. This can help companies improve the effectiveness of their freebie marketing and better engage their customers, leading to increased loyalty and retention.

Overall, freebie marketing can be a valuable tool for FMCG companies looking to promote customer loyalty and retention. By focusing on high-quality products, positive customer

experiences, and targeted and relevant freebies, companies can differentiate themselves from their competitors and build a loyal customer base.

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