

Consumers' Evaluation of Free Service Trial Offers

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EXECUTIVE SUMMARY

Largely unexplored, a free service trial may be defined as an offer to the consumer to experience, at no monetary cost, all or part of a core, augmented or facilitating service from a provider that the consumer does not currently use. Free service trials are worth studying for two reasons. First they are one of the important examples of inequitable exchange between supplier and purchaser – one that is likely to lead to a sense of obligation among those who adopt the trial offer. Second, they are a very common promotional device. This paper proposes that free service trials are more problematic than tangible product trials. The value of what is offered may be limited by time, the scope of trial, or because only a partial, facilitating or augmented service is offered. Judgments about the perceived value of the complete service in its paid form will also contribute to the evaluation of the trial offer. In deciding whether they accept the trial, the paper proposes that consumers make attributions about the motives of the service trial provider and the consumer's consequent obligations if they accept it. Obligations are likely to be felt more acutely where the trial is interpersonal (e.g. a facial massage) rather than impersonal (e.g. anti-virus service). Such evaluations are also likely to be affected by past experience with the service category, consumer skepticism and personal norms of reciprocity. A program of research is proposed which would systematically examine the consumers' evaluations of free trial offers.

Keywords: Service Trial, Inequitable Exchange, Attribution Theory, Service Quality, Risk Perception

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There's No Such Thing as a Free Lunch.
Milton Friedman (1975)

The word "free" is regularly used in offerings and promotions, particularly in product trials and in advertising claims. Nonetheless, evidence suggests that marketers' ubiquitous use of "free" may cause consumers problems in estimating the value of the offer (Munger and Grewal, 2001). This paper emphasizes that the inequity of exchange, which is at the heart of a free service trial offer, urges consumers to assess the truthfulness of the offer as well as the level of obligation likely to occur as a result of receiving a free service. In proposing a free trial offer evaluation model, it is critical that we have a clear definition of this particular promotional tool. The definition and typology are incorporated into our conceptualization of the evaluation. Throughout the paper we offer a series of testable propositions which should guide significant new research.

INTRODUCTION

Marketing research has largely focused on equitable exchange contexts, which involve monetary transactions. This has left inequitable exchange contexts relatively unexplored. Free service trial offers represent one such context since something is given for free. Free trial offers generate an inequity in an exchange to both consumers and the service provider in that, consumers receive "something for nothing" while the service provider gives "something for nothing". However, our aim is to conceptualize consumers' evaluation process when encountering such an inequitable exchange.

While these trials have been viewed as a promotional technique for reducing risks inherent in a new buy (e.g. Mitchell and Greatorex, 1993; Tan, 1999), essentially they generate an imbalance in an exchange. This paper proposes that the inequity inherent in this context has a significant influence on consumers' evaluation of the free service trial offer. In particular, it highlights perceived obligation as a salient evaluation factor.

While product sampling, or samples of tangible goods have been extensively explored (e.g. Hunt and Jupe, 1994; Kempf and Smith, 1998; Marks and Kamins, 1988; Smith, 1993; Smith and Swinyard, 1983), little research has been conducted into consumer evaluations of free service trial offers. This is despite the tactic being widely employed by a large number of service providers around the world, such as McAfee's anti-virus services (Clancy, 2002), Deluxe Online Billing Services (Foster, 2002) and cable companies temporarily providing premium channels for free. In its heyday, AOL offered hundreds of millions of free internet hours to potential subscribers (Conley, 2002). Local service providers, such as gymnasiums, hairdressers, automotive services offering free brake checks or financial advisers offering free seminars are among the many service providers likely to use this promotional technique. We even encountered a local dentist offering a free first appointment at his new practice.

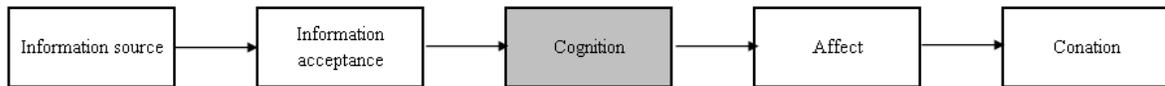
In a related area, there is an indication in the study of coupon face value on service quality expectations, risk perceptions and purchase intentions, that the free service trial is an area worthwhile studying. "Future studies need to look at other forms of sales promotions such as sampling and premiums" (Garretson and Clow, 1999, p. 65).

Although it is impossible to draw an absolute distinction between physical products and services, we define a service here as being "an offering made to the consumer where the core value is largely intangible." In general, consumers perceive higher levels of risk in purchasing a service (Mitchell and

Greatorex, 1993; Murray, 1991; Murray and Schlacter, 1990) than they do in purchasing products. In part this is due to the well documented characteristics of services - intangibility, simultaneity of production and consumption, perishability and inseparability (Zeithaml et al., 1985). In part it is also due to the problems caused by the experience and credence attributes (Ostram and Iacobucci, 1995) of many services. Due to the difficulties in justifying service quality and performance, service firms attempt to reduce perceived risks in purchasing their service by offering incentives, such as contests (Murray, 1991), price reductions (Garretson and Clow, 1999), and information (Mattila and Wirtz, 2002) at the pre-purchase stage.

In developing a conceptualized model of free trial offer evaluation, the Integrated Information Response model (Smith and Swinyard, 1982) was used as a starting point. The model consists of the fundamental factors of evaluating information or a marketing message. Essentially, this paper points out the likely factors in the cognition stage, whereby free service trial offers are the information source (see Figure 1). First, the definition and typology of free service trial offers are presented to specify the scope of this paper, and followed by the conceptualization of free service trial offer evaluations.

FIGURE 1
Integrated Information Response Model



Source: Smith and Swinyard (1982)

FREE SERVICE TRIAL OFFERS: THE INFORMATION SOURCE

Trying a product before purchasing is one of the incentives or promotional techniques that marketers offer to consumers to reduce risks in a purchase (Mitchell and Greatorex, 1993). With a higher level of search attributes and tangibility, product samples have received a considerable attention from marketing academia (Kempf and Laczniak, 2001; Kempf and Smith, 1998; Marks and Kamins, 1988; Smith, 1993), while paradoxically little research has discussed their service analog, namely a free service trial offer.

For the purposes of this paper, a free service trial offer can be defined as:

An offer to the consumer to experience, at no monetary cost, all or part of a core, augmented or facilitating service that 1) the consumer does not currently use or 2) is being offered by a service provider other than the one currently used.

The definition indicates that the consumer is not a current user of the service provider. For some services, for example a carpet cleaning service provider, the consumer may already be using an alternative or be using other, competing firms. For other services, such as a facial massage, the service may be totally untried by the consumer.

With Kotler (2000), we draw a distinction between core, facilitating, and augmented services (see Table 1). Core services are those which are necessary to provide the basic value of a service. For example, an auto workshop could offer prospective customers a free auto repair service, which is the full core or generic service of the business. A partial core service offer would be a “free windscreen wiper repair” – a core service benefit segregated from the entire generic service, i.e., fixing any malfunction of cars.

We would suggest that services whose evaluations are based mainly on experience properties are likely to include at least a partial core service – otherwise there is little point to the trial.

A facilitating service is an essential process in delivering the core service, therefore, in an auto repair service context, providing a free auto check is a free facilitating service, because fixing a car first requires a car examination. An augmented service is one in addition to the core service, such as inviting people to a seminar on how to maintain a car. Essentially, the augmented service trial provided to consumers must be related to the industry in which the free trial provider operates. An auto shop which offered free tickets to a baseball game would fall outside the definition of a free service trial; the benefit has to relate to the generic service provided. We suggest that the typology is well supported by the examples shown in Table 1. However, a content analysis of different forms of advertising such as press advertisements, letterbox advertising, TV and radio commercials, and Internet advertising is necessary to test the robustness of this classification.

We also exclude from the definition services which are offered for “free” but which still involve a financial transaction. For example, an ISP may offer a trial of their Internet service but require consumers to pay up front. If they canceled within the “trial” period, a refund is given but if they take no action they are charged. In our view, this may be considered another form of money-back guarantee which is outside the core “free service trial” concept we wish to explore. Similarly a satellite TV service which offers a “free” additional month if the customer signs a 12-month contract is outside the scope of our definition. The AOL case mentioned earlier (Conley, 2002) just falls within the classification. Although consumers were required to give credit card details to sign up for their free service trial, no charge was levied if they cancelled within the trial period.

TABLE 1
Typology of Free Service Trial Offers

Typology	Definition	Examples
Core Service – Full Free Trial Offer	A free trial offer that allows the triallist to experience a complete process or complete set of attributes of the basic service	A beauty salon offers a free 15-minute facial massage A gym offers a free 15-day gym membership with access to all normal gym services
Core Service – Partial Free Trial Offer	A free trial offer that allows the triallist to experience at least one process of the generic service, but not all of the service attributes	An auto repairer offers a free brake repair A carpet and upholstery cleaning service offers a free furniture steam clean
Facilitating Free Trial Offer	A free trial offer that allows the triallist to experience an essential service process in delivering the core service	An eye-sight correction clinic offers a free eye assessment A real estate agent offers a free property appraisal
Augmented Free Trial Offer	A free trial offer that allows the triallist to experience an additional service that differentiates the firm from others	A financial institution offers a free home loan seminar An architectural firm offers a free session on kitchen design

This typology can be used to classify the way experience-based and credence-based service firms design or offer a free trial to their prospective clients in order to generate new sales. It is plausible to suggest that firms which offer services which are largely experience-based are more likely to offer full or partial core service trials, as the firms attempt to allow the consumers to use their personal judgment to evaluate service performance (Mittal, 2004).

The definition and typology of free service trial offers have provided a clear territory in which this paper focuses. Next, the salient evaluation factors are drawn to present how evaluating a free trial offer distinguishes from other price promotion tools.

IDENTIFYING THE SALIENT FACTORS OF THE EVALUATION

The primary purpose of this paper is to point out the significant evaluation factors of free service trial offers, an inequitable exchange context. We propose that skepticism and perceived reciprocity are the two salient evaluation factors in this context. In particular, these factors represent the cognition in the Integrated Information Response model (shown in Figure 1). Skepticism is drawn from the current marketing literature on sales promotion and advertising, while perceived reciprocity emerged as a result of the inequity (receiving a service for free) inherent in this context. These two factors are likely to determine free trial offer redemption likelihood.

Skepticism and Perceived Truthfulness

Research into sales promotion suggests that, prior to accepting an offer, consumers attempt to understand the seller's motives behind offering the promotion (Raghubir, 1998). Thus, individuals make an attribution about these motives to understand why others have certain behaviors. Consequently, they rationalize why the event occurs (Heider, 1958; Jones and Davis, 1965; Kelley, 1967). Similarly, a number of scholars have utilized attribution theory to explain how consumers evaluate brand quality when a sales promotion is involved (Dodson et al., 1978; Lichtenstein and Bearden, 1986;1989; Raghubir and Corfman, 1999). They showed that consumers' evaluations of a brand offering a price promotion were likely to be negative. Their research indicated that attributions about the seller's motives led them to unfavorable judgments about both service quality and also risk.

Consumer attributions in the context of evaluating free service trial offers are likely to be closely linked to consumer skepticism and cynicism. Mohr, Eroglu, and Ellen (1998) showed that these two concepts have been used interchangeably in the literature. Particularly, Munger and Grewal (2001) suggested that marketers should use the term "free" carefully as consumers are likely to be skeptical with the promotions containing the word. Thus, some consumers may find the "free" aspect to be too good to be true or to factor in a hidden cost involved in the offer, based on its apparent inequity. There are also situational factors including prior knowledge and brand familiarity, that influence the tendency to be skeptical of advertising claims (Obermiller and Spangenberg, 1998). Therefore we propose:

P1: Consumers with higher skepticism are less likely to redeem a free service trial offer.

Being a trial offer, services that contain a high level of experience attributes allow triallists to learn about the brand (Kempf and Smith, 1998), and consequently they can utilize the experience gained through trial to make a purchase decision (Kempf and Smith, 1998; Mittal, 2004). On the other hand, consumers recognize that for credence services such as dental or auto repair services, they are unable or unlikely to judge the service quality even after a trial, therefore they become suspicious of the advertiser's motives. Put simply, the lack of available experience qualities in a service implies to the consumer that the free trial is offered as a means to create an obligation rather than to create a trial

experience. The service attributes therefore determine the perceived truthfulness of the free trial offer. Thus, we propose:

P2: Consumers are more skeptical with free trial offers of credence services than of experience services.

The type of the free trial promoted, as well as the service attributes, should also influence the consumers' attribution. Since full or partial core free trial offers allow consumers to experience the intrinsic benefit of the service, they should be viewed as more useful and more truthful than the other types that do not provide the core benefits. We extend Kempf and Smith's (1998) contribution by proposing:

P3: Consumers view full and partial core free trial offers as more truthful than facilitating and augmented free trial offers.

Perceived truthfulness or the level of skepticism can be influenced by the skepticism personality trait. In an advertising context, Obermiller and Spangenberg (1998) proposed that skepticism toward advertising is the general likelihood of rejecting advertising claims. It represents a basic marketplace belief that varies between individuals and which is related to general persuasibility. Thus we propose;

P4: Consumers with a higher level of skepticism trait are less likely to redeem a free trial offer than those with a lower level of skepticism trait.

In addition to skepticism theory, the Persuasion Knowledge Model (Friestad and Wright, 1994) suggests that when encountering a persuasion attempt (i.e. a free service trial offer), many consumers refer to their beliefs about 1) the nature of the marketer's tactics, 2) the effectiveness and appropriateness of those tactics, and 3) the marketer's persuasion goals, as well as their own abilities to cope with these persuasion attempts. Applying this to free trial contexts, many consumers would view these offers as a persuasion attempt. For example, a marketer's tactics may be judged as trying to create an unrealistically good impression of service quality during the trial, which is not matched by the quality of the actual service. Or consumers may be diverted away from a direct comparison of the service on offer with those from competitive services.

The Norm of Reciprocity and Perceived Obligation

The norm of reciprocity has been discussed in a number of marketing areas including brand community (McAlexander et al., 2002), relationship marketing (e.g. De Wulf et al., 2001; Gremler et al., 2001), and donation behavior (e.g. Bendapudi et al., 1996; Webb et al., 2000), however its influence has not been viewed in the context of price promotion, especially free trial offers. We suggest that the imbalance of exchange in free trial offer contexts distinguishes consumers' evaluation of free trial offers from other forms of price promotion, since the loss by the service provider is obvious. In contrast, discounting or even "at cost" services do not involve this evident inequity. The study therefore contributes to deal or discount promotion evaluation arena by closely looking at consumers who view free trial offers as a persuasion attempt. Particularly, this phenomenon is likely to occur in service trials rather than product sampling because the co-production or personal aspect of a service trial is the basis of reciprocity and exchange.

The norm of reciprocity was introduced by Gouldner (1960), who conceptualized that people reciprocate when being given a favor. He asserted that feeling indebted or obliged urges people to reciprocate or return the favor. Evidence in marketing literature also supported this concept. For

example, Morales (2005) found that consumers patronize the stores that invest high effort in product display, as they feel some degree of gratitude and indebtedness to the firms and hence they reward the stores.

Similarly to Morales' findings, we suggest that receiving a free trial offer results in an inequity or imbalance in an exchange, which may require the consumer to feel obliged and consequently reciprocate (Houston and Gassenheimer, 1987) to the service provider. However, the reciprocal behavior in this context means purchasing the trialled service regardless of the trial outcome. Hence, the free aspect of the offer urges consumers to assess the obligation likely to occur in redeeming a free service trial offer to determine whether it is worthwhile to try out the free service.

Recognizing the obligation, consumers need to weigh the benefits of trialling a service and their own perceived obligation to make a trial decision. Thus, it would appear that a free service trial may involve psychological risk beyond that normally associated with services, namely one of exposing the consumer to a subsequent sales pitch and obligation to purchase. Therefore, we propose:

P5: Consumers with higher perceived obligation are less likely to redeem a free service trial offer.

In addition, levels of perceived obligation may differ depending on the levels of interpersonal co-production involved during a free trial. If the contact during the trial is personal, as in the case of a free facial, it may be more difficult or awkward to resist a sales pitch. In contrast, a sales appeal at the end of a free software trial should be less awkward to resist. Self-service trials (Meuter et al., 2005) should also be less problematic.

Thus, we propose that:

P6: The higher level of interpersonal service co-production involved in the free trial offer, the higher the perceived obligation.

The type of obligation is likely to vary with the motives attributed to the service provider. In addition, those with a stronger sense of reciprocity (Perugini et al., 2003) may be more likely to succumb to such an offer, irrespective of their evaluation of intrinsic service quality. On the other hand, the more tough-minded individual may simply take the view that if the service provider is willing to give a service away for free, they would be foolish to miss the opportunity. Perugini et al. (2003) developed scale items for measuring the reciprocity trait. The scale fundamentally measures the extent to which an individual perceives favor, feels obligated to return the favor, and reciprocates to the opposite party. We recommend that the personality trait can be measured using their established scale. Thus, we propose that:

P7: Consumers with a higher level of the reciprocity trait are less likely to redeem a free trial offer than those with a lower level of the trait.

The Relationship between Skepticism and Perceived Obligation

To propose a conceptual model of free service trial offer evaluation, the relationship between the two evaluation factors (or cognition) needs to be specified. Although there is a lack of evidence explaining the relationship between skepticism and perceived obligation, it is likely that in this particular context, skepticism or perceived truthfulness of the offer is an antecedent to perceived obligation.

Consumers may view the "free" aspect of a free trial offer positively or negatively. Those with the positive evaluation may not view the technique as a persuasion attempt, and therefore are unlikely to

consider that trialling a free service would generate a personal obligation (Perugini et al., 2003). For this type of consumer, past literature on deal or discount promotion evaluation (e.g. Raghurir, 1998; Raghurir and Corfman, 1999) may be used.

On the contrary, consumers who have a negative view towards the “free” attribute of the offer are also likely to feel they are placed in a situation where they must deal with the seller after the trial has concluded. Such an approach is traditionally known as a foot in the door technique (Cialdini et al., 1995) since once consumers have placed themselves in the situation, it is difficult to extricate themselves from the sales approach. Their disquiet is likely to be further intensified if consumers believe they will be subjected to a hard sell approach after the trial. This assumption coincides with Houston and Gassenheimer (1987), who asserted that a provider gains power by giving, creating an obligation that the recipient is obliged to repay. Most likely consumers would at least feel obliged to listen to the sales pitch and possibly to end up purchasing the service, even if they judge it not to be completely satisfactory.

Perceived truthfulness or level of skepticism therefore is likely to determine perceived obligation inherent in redeeming a free trial offer. Hence, we propose;

P8: Consumers assess the level of truthfulness of the offer and determine the level of obligation likely to occur as a result of trialling the free service.

PRE-TRIAL EVALUATIONS: TRIALLING A SERVICE & RECEIVING A FREE SERVICE

The fact that something is offered free, or at no charge, leads us to speculate that this is the most salient part of the offer. We propose that consumers perceive risks inherent in a free trial offer due to the fact that it is free. Once this has been evaluated, some attention is likely to be paid to the service features themselves and other elements of cost besides price. Thus, we propose;

P9: Consumers evaluate the free aspect of the offer as more salient than the actual service on offer.

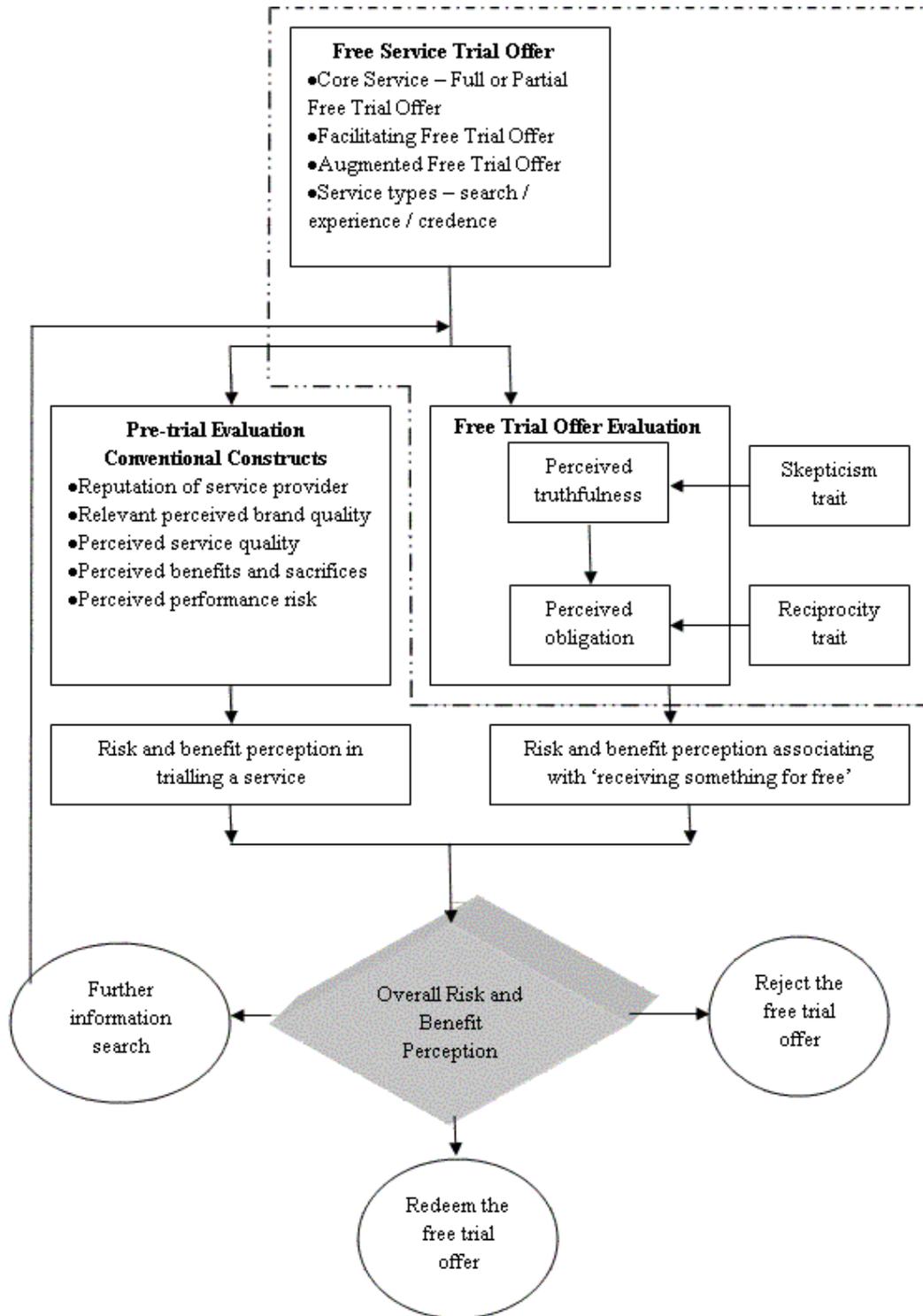
In constructing a conceptual model of how consumers evaluate a free service trial offer, the service itself will also have to be evaluated by consumers. Here the perceived risk and value model (Agarwal and Teas, 2001) is adapted to depict the mediating roles of perceived sacrifices and perceived risks in these circumstances. Their model provides a thorough conceptualization of service quality evaluation; however, a free trial offer is literally a sample which represents the service and in itself, requires an evaluation process. In terms of sacrifices, the trial may have both monetary (e.g. travel costs to trial a gymnasium) and non-monetary costs. In addition, there are performance risks for both the free trial and the paid service it represents.

In terms of anticipated benefits, consumers are likely to consider the service provider's reputation or promise (Mittal, 2004) and relevant perceived brand quality, particularly when dealing with credence and experience-based services that require extended-use such as a weight loss program or a karate course.

MODEL OF FREE SERVICE TRIAL EVALUATION

Figure 2 summarizes the overall conceptualization of how consumers evaluate free service trial offers from the time the offer is made until the consumer decides to consider or reject the offer. Our contributions to the existing marketing knowledge are shown within the dotted lines.

FIGURE 2
Free Service Trial Offer Evaluation Model



Consideration of the offer will not always result in consumer acceptance. For example, if a consumer has recently purchased a carpet cleaning service, a free trial of a rival service may be deferred until there is a further need for such service. We should also realize that the service trial offer will vary in value depending on whether it is full or partial, augmented or facilitating. The consumer may need to have in mind what the full, paid service would be like as a point of comparison in deciding whether to accept the trial offer. The perceived validity of the trial itself will be greatly affected by search, experience, or credence qualities of the full service. Experiential attributes provide more trial validity, which generates better potential learning about the brand (Kempf and Smith, 1998; Mittal, 2004). Thus, we propose:

P10: A free trial offer that contains a high level of experiential attributes will be evaluated as more useful than one containing high levels of credence attributes.

Overall then, we propose that pre-trial evaluation consists of 1) free trial offer evaluation and 2) the conventional service evaluation constructs - consumers' assessments of perceived service quality, perceived sacrifices, and perceived risks. Notably, reputation and brand quality perception, suggested in past literature, also help consumers determine risk and benefit level of a trial. We highlight our primary contribution particularly the latter construct. The evaluations lead to risk and benefit perception of a service trial and receiving a free service. It is quite likely that the "free service trial offer" and the "service value" will be evaluated simultaneously. However, it is just possible that the evaluation will be sequential with the consumer first paying attention to the free aspect, then evaluating the service. This is plausible because the true risks cannot be evaluated fully, especially, the social and obligation risks we have identified, until the free offer is factored into the equation.

Recognizing Agarwal and Teas's (2001) and Dowling and Staelin's (1994) contributions to service evaluation, this paper also hypothesizes that the attribution and obligation assessment processes are involved in evaluating the free trial offer. Thus a consumer performs an attribution in order to understand the reasons behind offering a service to trial for free and their resulting obligations. Particularly in this context, we recognize that skepticism and reciprocity are the personality traits that are likely to heighten the free trial offer evaluation.

Consumers derive overall risk and benefit perceptions from these evaluations of the trial offer and the free aspect associated with it. However, based on Dowling and Staelin (1994), consumers may require further information about the service as they measure their own ability to suffer loss. Moreover, some individuals may seek for more information, for example from word of mouth recommendations, to affirm their decision and to minimize risk. Once they gain sufficient additional information, attribution and script processing are redeveloped as a result of their stored knowledge. Thereafter, the evaluation of overall risk and benefit occurs, leading to a final decision about whether to reject or consider the offer.

DISCUSSION AND CONCLUSION

Existing literature on product sampling (see e.g., Kempf and Laczniak, 2001; Kempf and Smith, 1998; Marks and Kamins, 1988) provided insight into how tangible samples are useful for consumers as well as manufacturers. Nonetheless, the sampling or free trial concept when applied in service industries, we propose, may yield different results. The paper describes a model of the evaluation process that consumers attend to when they are offered a free trial. The paper also points out that there are additional constructs, perceived truthfulness and perceived obligation, involved besides the conventional factors suggested in current service evaluation literature. Ten propositions have been

developed in this paper that address three domains – the likely nature of free service trial offers, the perceived inequity created, and consumer evaluations of these offers.

In addition to researching these evaluations, there is a need to characterize the scope and content of these free offers. We strongly suggest that a content analysis be conducted to investigate how service firms promote such offers. By doing so, the definition and typology introduced in this paper can be confirmed. Furthermore, a content analysis on free trial offers will reveal how promotion techniques vary amongst the service industries. Our conceptualization suggests the approach taken by marketers will vary between experience-based services and those with largely credence-based properties. In the latter case, it is plausible to suggest that marketers will anticipate the attributions made by consumers and their felt obligation by making claims such as “no obligation” in association with these trials. Such an approach would be less likely for experience based trials. A systematic content analysis of free trial offers would be required to test such a proposition and more generally, the characteristics and frequency of free service trial offers.

Future research will also need to consider not just how consumers evaluate free trial offers, but what occurs when they redeem them. Although individuals seem to understand that “there’s no such thing as a free lunch” (Friedman, 1975), the free aspect is not disregarded and opportunistic consumers are more likely to accept these trials and benefit from them. Less opportunistic consumers may have more negative reactions and unless the quality of the trial experience is high, they will be less likely to accept future trial offers.

From an industry perspective, research conducted to test the propositions developed here should help in developing free trial promotional strategies – what type of services are suitable for such offers, whether full, partial, facilitated or augmented services should be offered and how the offers for such services should be framed so that non-monetary risks are diminished. Overall, the topic promises to provide a rich field of inquiry in an area lacking good empirical research.

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