



GIVE THE PRODUCT AWAY

GIVING THE PRODUCT away might seem crazy—but in some cases it is the only way to establish it in a new market. When a product is revolutionary, few people want to be the first to try it, so asking them for money up front often simply creates a barrier. In some cases, this is just something we have to live with, but if owning the product means that the customer will have to buy repeatedly, giving away something that creates a dependency is good business.

There are many examples in practice of products that are sold cheap, with the company making its money on the peripherals. Spare parts for cars are an example—the cars are sold relatively cheaply, but genuine spares are expensive, because that is how the manufacturer makes money. There is no reason at all to be wedded to the idea that every product that leaves the factory gates has to have a price tag on it, and many companies have succeeded admirably by giving products away.

The idea

When King C. Gillette invented the safety razor he was working as a salesperson for a bottle-cap manufacturer. He conceived the idea for a disposable razor when his cut-throat razor got too old to be resharpened: he fairly easily developed a way of making the blades and the razors to hold them (the first blades were made from clock springs) but economies of scale meant that the blades could only be profitable if he could manufacture them in their millions. He needed a quick way of getting men to switch over from cut-throat to disposable razors, so he decided to give the product away.

Gillette gave away thousands of razors, complete with blades, knowing that few men would go back to using a cut-throat razor once they had experienced the safety razor. Within a few days they would need to buy new blades, so Gillette had created an instant market, limited only by his capacity to give away more razors.

In time, once the product was established in the market and the first users (the innovators) had started telling their friends about the product, Gillette was able to start charging for the razors themselves. However, the razors were always sold at close to, or even below, the manufacturing cost—the company makes its money on selling the blades, which cost almost nothing to produce and which can be sold for a premium price.

In time, other shaving systems came along (plastic disposables, for example) that superseded Gillette's idea, but the basic marketing idea remains and is still used to this day.

In practice

- Identify products that carry a long-term commitment to buying peripherals, spares, or other consumables.
- Decide your target market—there is no point giving out freebies to all and sundry if they aren't going to follow through and buy your product later.
- Make sure you have good intellectual property rights (patents, etc.) so that nobody can enter the market with knock-off consumables that work with your giveaway product.