

A Referral Service That Ensures Someone Actually Makes a Sale

By **BOB TEDESCHI**

ONLINE shoppers who can't decide whether to pull the trigger on their next purchase may be surprised at a new alternative: an offer to get it free.

The offer is not a swindle, nor is it a return to the insanity of the early days of the dot-com boom, when retailers practically gave away goods in order to attract buzz and customers. Rather, it is a new marketing method that relies on a web of business relationships to give consumers free goods, as long as they buy something else from a long list of well-known online stores.

The idea comes from TrialPay, a company that has recently gained a following among online businesses and investors. Now that the idea is attracting more well-known retailers, analysts said, consumers could see more free offers in the coming months.

"This is a very strange, unique animal, but I could see where it would work," said Dana Gould, an analyst with Financial Insights, a consultant group based in Framingham, Mass. "And since these offers come at exit points, companies are basically saving lost sales."

Stopzilla, which sells computer security software for around \$40, already offers 15-day free trials for prospective customers. After the trial period, those who go to the site to uninstall the program are shown a pop-up window asking if they would like to receive the product free.

They are then shown a list of companies, including Blockbuster, GameFly and Citi, that have agreed to subsidize the cost of the Stopzilla purchase if the customer agrees to also sign up with them.

If they agree, customers are taken, at that point, to a Web site like Block-



NOAH BERGER FOR THE NEW YORK TIMES

Alex Rampell is a co-founder of TrialPay, a network of Web sites that refers customers to one another.

buster or Gap, and when they complete their purchase they are sent a code by e-mail for redeeming their free item. Sometimes, these merchants and other TrialPay advertisers, like Gap and Stamps.com, will sweeten the deal with discounts of their own.

"All three parties benefit," said James M. Bortnak, the chief marketing officer of Stamps.com. "The consumer gets a sizable and immediate discount on a purchase, advertisers like us find new long-term customers, and the original merchant is more likely to complete a sale."

Mr. Bortnak said he started using TrialPay's service in March, after hearing some industry talk about it.

He would not disclose details, other than to say it has a "very positive" effect on his business.

TrialPay's service is a twist of sorts on a longstanding online practice, where merchants offer bounties of 5 to 15 percent to Web sites that deliver paying customers. This so-called affiliate advertising model is popular because merchants spend less to acquire customers. Meanwhile, as long as the customers buy more than an item or two, the merchant earns back whatever bounty was paid.

As the intermediary, TrialPay receives an undisclosed portion of that commission, and it also uses some technological wizardry to determine which

free-product offers a prospective customer is more likely to click on.

TrialPay is the brainchild of Alex Rampell, who achieved a measure of fame when, as a 15-year-old in 1996, he wrote a popular software program that allowed AOL users to avoid losing their connections.

Mr. Rampell started TrialPay in 2003 as he looked for creative ways to entice software customers to pay for his products. In the first incarnation of the service, he offered customers his PC-security software free, as long as they signed up for a Netflix account.

"We made more money on that than we did selling our applications, which cost \$25," Mr. Rampell said. "If someone signed up for Netflix, we might make \$40."

The list of merchants who offer free products is heavily weighted toward software companies, Mr. Rampell said, "because almost nobody will pay for software." Aside from companies like Stopzilla, WinZip and ZoneAlarm, there are roughly 2,500 merchants who now display TrialPay offers to prospective customers, with about 10 signing up

daily, Mr. Rampell said. That volume helped increase revenue more than 10 percent, with annual sales likely to exceed \$20 million, he added.

Based largely on the strength of those figures, TrialPay said it recently raised \$12.7 million in financing from, among others, Index Ventures, an early investor in Skype, and Battery Ventures, which backed Akamai Technologies.

Free stuff now, but consumers will have to buy something later.

Merchants who make free offers on their site with TrialPay said that after compensating TrialPay for managing the transaction, they must typically squeeze more business out of the customer to generate a profit. Rick Trefzger, vice president of sales for Stopzilla's parent, iS3, said his

company profits on customers it attracts through TrialPay if those customers renew their annual software subscriptions.

Mr. Trefzger said an additional benefit of the service is that it does not diminish the perceived value of his software, as other discount offers might. "It's not like we're saying 'Hey, buy this for less than what you would've paid when you first got to our site,'" he said. "TrialPay has to follow through with an offer."

TrialPay is yielding improved dividends as it reaches a broader audience of merchants and advertisers, said Will Hunsinger, general manager of Gap.com. And, he said TrialPay attracts customers who frequent stores, like Blockbuster, that one might not immediately consider fertile ground for Gap shoppers.

"That's the kicker here," Mr. Hunsinger said. "You can reach out into the virtual space and find new customers you wouldn't have otherwise reached. It's a little different model, which is something we haven't seen come out of the Valley in a little while."