

The freebie dilemma: Consumers are skeptical about 'free' products

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It's common for retailers to bundle two different products (like razors and blades) together and describe one as free. A new study in the *Journal of Consumer Research* shows that this strategy leads consumers to devalue the items when they're sold individually.

Authors Michael A. Kamins (Stony Brook University-SUNY), Valerie S. Folkes (University of Southern California), and Alexander Fedorikhin (Indiana University) found that describing a bundled item as free decreases the amount consumers are willing to pay for each product when sold individually. They call this the "freebie devaluation" effect.

"Why does a freebie decrease the price consumers are willing to pay for each individual product? Our research shows that consumers tend to make inferences about why they are getting such a great deal that detract from perceptions of product quality," the authors explain. "For example, consumers figure the companies can't sell the product without this marketing gimmick."

The authors also found exceptions to the "freebie devaluation" rule. For example, when the researchers explained that the products were paired so consumers would become familiar with the freebies, they were willing to pay more.

The authors also discovered that consumers are willing to pay the same amount for a bundle describing one of the products as "free" as for a bundle without the "free" description. "Our research shows that

consumers take a mental shortcut when it comes to thinking about the overall mixed bundle price—a shortcut that they do not resort to when thinking about the price of just one of the items in the bundle." The mental shortcut skips the skeptical thinking that leads to "freebie devaluation."

"Our research findings have important strategic implications for retailers and manufacturers, suggesting that giving away something for free in the context of a bundle may come at the cost for the sellers," the authors write. "Sellers' hopes for immediate gains from freebie bundle sales might be countered by reduced long-term profits."

Source: University of Chicago Press Journals

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