International Journal of Research in Marketing 33 (2016) 689–694

Contents lists available at ScienceDirect

IJRM
International Journal of Research in Marketing
journal homepage: www.elsevier.com/locate/ijresmar

Replication

The zero-price effect in a multicomponent product context

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ARTICLE INFO

Article history:
First received on February 23, 2015 and was under review for 4½ months
Available online 19 March 2016

Replication Editor: Eric T. Bradlow

Keywords:
Zero-price effect
Price affect
Bundle
Behavioral pricing
Emotions
Price

ABSTRACT

This study replicates and extends prior research from single product contexts and multicomponent product contexts on the zero-price effect, i.e., an overproportional increase in demand when formerly priced products are offered for free. The results reconfirm that the zero-price effect is based on consumers' emotional responses to the price of zero. The increased positive affect does translate into the zero-price effect in a high-price multicomponent product context but not in a high-price single product context. Interestingly, additional information on the price ratio of the offered products nullifies the zero-price effect in the high-price multicomponent product context.

1. Introduction

The zero-price effect is defined as "the increase in the proportion of consumers choosing X and the decrease of those choosing Y when prices fall from [P_X, P_Y] to [0, P_Y - P_X]" (Shampanier, Mazar, & Ariely, 2007, p. 745; hereinafter SMA). SMA demonstrated this overproportional increase in demand in experiments within a low-price single product context with chocolates which they offered for 1 and 18 (0 and 17) Cent and in an experiment within a high-price single product context with TVs. SMA found consumers' positive emotional responses to the price to be responsible for the zero-price effect, suggesting that the free product shows a higher net benefit than the slightly more expensive product. Nicolau and Sellers (2012) replicated the zero-price effect in a low-price (€22–€30) multicomponent tourism service context with hotel rooms including (excluding) breakfast fee.

The present study replicates and extends SMA's original zero-price effect experiments, using a scale specifically designed to measure consumers' emotional responses to prices, i.e., price affect (PRIAS, Peine, Heitmann, & Herrmann, 2009). Furthermore, this study extends the research of SMA and Nicolau and Sellers (2012) by investigating whether the zero-price effect holds in a high-price multicomponent product context, i.e., a product bundle situation in which one high-priced product is offered in combination with a lower- (to zero-) priced product choice (e.g., car purchase including a no-name vs. a brand car sound system). Table 1 provides an overview of the study's contribution.

2. The zero-price effect and price affect for chocolates

In the first study, a Schokobon (0 Cent, 1 Cent, 2 Cent) and a Rocher (17 Cent, 18 Cent, 19 Cent) chocolate were offered pairwise in three conditions (0 and 17, 1 and 18, 2 and 19) to 399 participants (76% female; $M_{age} = 24.42$). Consistent with

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http://dx.doi.org/10.1016/j.ijresmar.2016.01.009
0167-8116/

Table 1
Contribution of the present study.

Price level	Product context	Price information	Subject of investigation	Shampanier et al. (2007)		Nicolau and Sellers (2012)		Present study			
								Study 1	Study 2	Study 3	Study 4
				Sample	Effect	Sample	Effect	$N = 399$	$N = 93$	$N = 54$	$N = 194$
low	single	normal	zero-price effect	$N = 60$ $N = 398^{rd}$	X^{***}/Y^{*} X^{***}/Y^{**} yes			X^{***}/Y^{**} yes			
			price affect	$N = 243$	yes^{***}			yes^{*}			
			price–quality inferences	nr	no^{nr}						
	multicomponent	normal	zero-price effect			$N = 123$	X^{**}/Y^{+} yes				
high	single	normal	zero-price effect	$N = 120$	X^{nr}/Y^{nr} yes^{*}				X^{+}/Y^{ns} partly		
			price affect						no^{ns}		
			price–quality inferences						no^{ns}		
	multicomponent	normal	zero-price effect					X^{ns}/Y^{ns} no	X^{*}/Y^{+} yes	X^{*}/Y^{ns} partly	X^{+}/Y^{ns} partly
			price affect					yes^{***}	yes^{**}	yes^{***}	no^{ns}
			price–quality inferences						no^{ns}	no^{ns}	no^{ns}
		ratio	zero-price effect								X^{ns}/Y^{ns} no
			price affect								no^{ns}
			price–quality inferences								no^{ns}

Note: X = increase in demand for free no-name product X, Y = decrease in demand for slightly more expensive branded product Y, yes = expected effect did occur, no = expected effect did not occur, partly = expected effect did partly occur, nr = not reported, $^{***}p < 0.001$, $^{**}p < 0.01$, $^{*}p < 0.05$, $^{+}p < 0.1$, $^{ns}\ p \geq 0.1$, rd = study does not involve hypothetical decisions but real decisions; price affect effects of studies 1–4 of present study are based on PRIAS.

SMA, the demand was significantly higher (lower) for the Schokobon offered for free (the 17 Cent Rocher) in comparison to the Schokobon offered for 1 Cent (the 18 Cent Rocher) with $t(243) = 3.61$, $p < .001$ ($t(232) = -2.64$, $p < .01$). Significantly more participants than expected by standard economic models chose the Schokobon when it was offered for free, while significantly

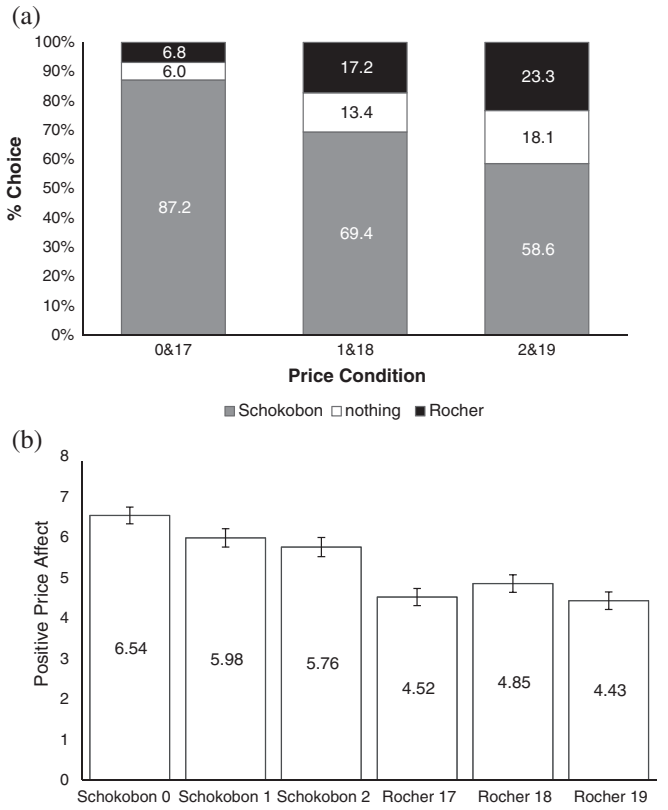

Fig. 1. Pattern of Chocolate Choices and Respective Positive Price Affect – Study 1.