

So what happened when the “customers” flocked to our table? When we set the price of a Lindt truffle at 15 cents and a Kiss at one cent, we were not surprised to find that our customers acted with a good deal of rationality: they compared the price and quality of the Kiss with the price and quality of the truffle, and then made their choice. About 73 percent of them chose the truffle and 27 percent chose a Kiss.

Now we decided to see how FREE! might change the situation. So we offered the Lindt truffle for 14 cents and the Kisses free. Would there be a difference? Should there be? After all, we had merely lowered the price of both kinds of chocolate by one cent.

But what a difference FREE! made. The humble Hershey’s Kiss became a big favorite. Some 69 percent of our customers (up from 27 percent before) chose the FREE! Kiss, giving up the opportunity to get the Lindt truffle for a very good price. Meanwhile, the Lindt truffle took a tumble; customers choosing it decreased from 73 to 31 percent.

What was going on here? First of all, let me say that there are many times when getting FREE! items can make perfect sense. If you find a bin of free athletic socks at a department store, for instance, there’s no downside to grabbing all the socks you can. The critical issue arises when FREE! becomes a struggle between a free item and another item—a struggle in which the presence of FREE! leads us to make a bad decision. For instance, imagine going to a sports store to buy a pair of white socks, the kind with a nicely padded heel and a gold toe. Fifteen minutes later you’re leaving the store, not with the socks you came in for, but with a cheaper pair that you don’t like at all (without a padded heel and gold toe) but that came in a package with a FREE! second pair. This is a case in which you gave up a better deal and settled for something that was not what you wanted, just because you were lured by the FREE!