

Abstract

This thesis is focused on increase of demand of good that becomes free, named the zero price effect. This increase cannot be fully explained by the standard economic model. The aim of this thesis is to broaden existing literature with observation of the effect on the different groups of consumers coded as group with higher education and lower education respectively. The first chapter introduces the zero price model, which describes consumers behaviour when given the choice of a free product. Next, the decision process is described using the value function and description of possible psychological sources of the zero price effect follows. Second chapter summarizes the existing experiments on zero price effect. The last chapter describes the main experiment which took place in office canteen and in the recyclables collection point. The results do not confirm the existence of the effect in these two environments, demand drop as a reaction to price reduction was observed on the recyclables case. Due to these facts, the hypothesis about the difference in magnitudes on these two samples cannot be verified.