



How Much Do You Want to Pay?
Prosocial Motivations, Reciprocity, and Self-
Interest in *El Trato*

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Pro-social motivations

- Pro-social motivations: those that are not indifferent to others' welfare, but try to increase it even by assuming costs.
- Lab experiments have seriously challenged the assumption of universal selfishness.
- But external validity is still a problem: would people be pro-social in “natural” social settings?



Pay What You Want (PWYW) experiences

- PWYW: the price of a good or service is freely chosen by customers.
 - Variation: NYOP (Name Your Own Price): the seller can reject customers' offer if payment falls below a threshold.

- PWYW experiences allow to test prosocial behaviour, reciprocity or trust in natural settings.



Pay What You Want (PWYW) experiences

- Some PWYW examples already studied:
 - The *Radiohead* experience.
 - Magnatune (Regner & Barría, 2009).
 - Google Answers (Regner, 2009)
 - NH Hotels (Gautier & Van der Klaauw, 2009)
 - Restaurants, coffee-shops, and cinemas (Kim et al., 2009).
 - Photos in a tourist boat (Gneezy et al., 2009).

- *El Trato* (The Deal) is the only PWYW experience in Spain to date (July 2009): the travel agency *Atrápalo* offered different vacational packages, and customers' decided how much to pay when they came back.



Atrápalo's PWYW experience: El Trato

- Products offered: weekend packages, hotel nights, flights, and complete travel packages (486 products, valued in 137.000 euros).
- Widely publicited campaign in Spain.
- Procedure:
 - The offers were listed in Atrápalo's web.
 - Once an offer was “activated”, the first one in “catching” it got the “deal”.
 - Customers could only get one “deal”.
 - After the comeback, they were asked by e-mail to “comply”:
 - They were informed of the market price of the enjoyed product.
 - They were asked to decide how much to pay and justify why.
 - They were asked to answer a questionnaire.



The data

- Atrapalo's database includes:
 - Price and type of product
 - Payment made.
- Questionnaire includes:
 - Socio-demographic data of the customers.
 - Rating of the experience.
- Qualitative data:
 - Texts of the marketing campaign.
 - Justifications of the payments made by customers.
 - Interventions in Atrapalo's *Blog* by customers and administrators of the campaign.



Results

1. *Proportion of payers*

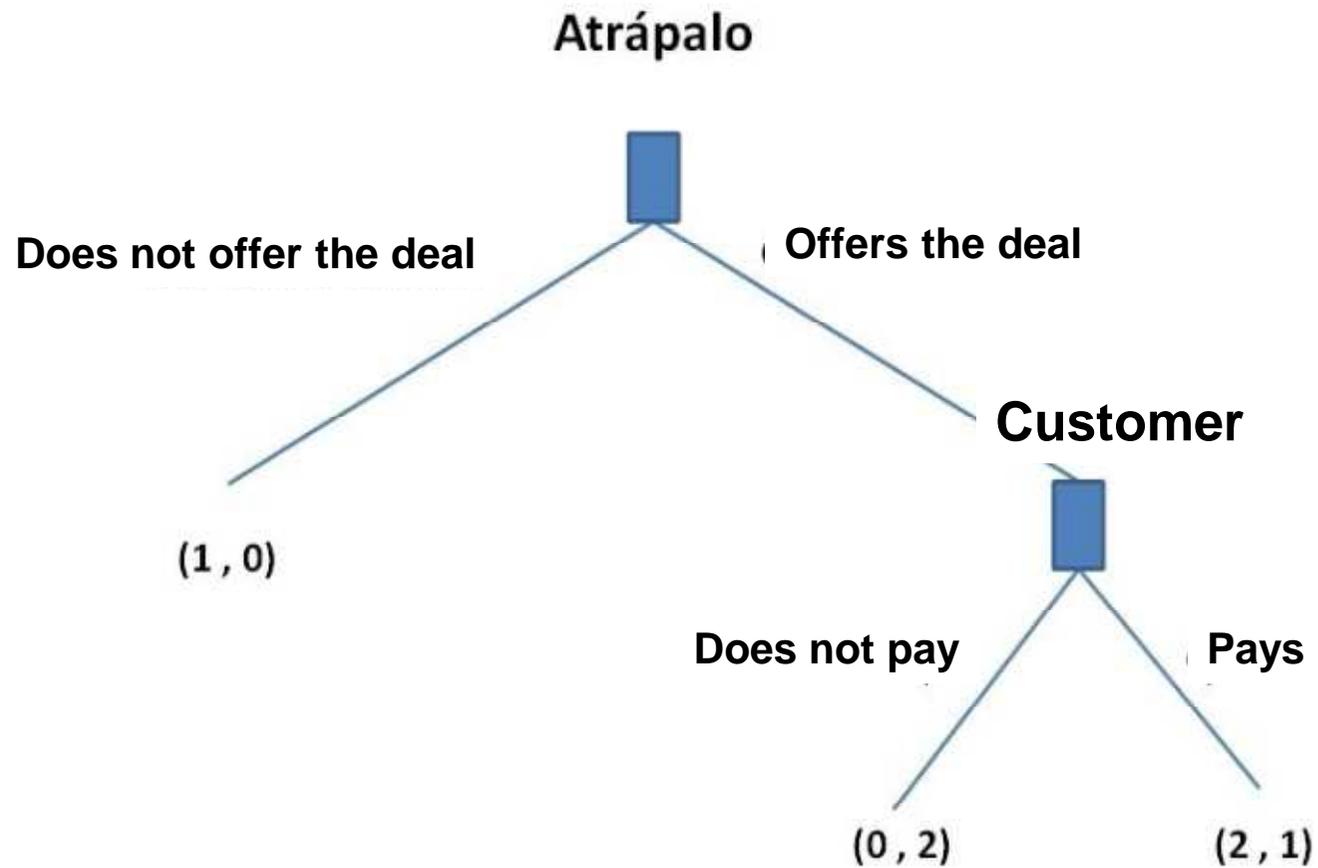
3 groups of customers:

- a) Did not comply with the deal (did not pay nor answer Atrapalo's mails).
- b) Complied with the deal (answered mails and questionnaire) but payed 0 euros.
- c) Complied with the deal and paid something.

Customers' compliance in *El Trato*

	N	%
a) Did not comply with the deal	93	19,1
b) Complied but did not pay	133	27,4
c) Complied with the deal and paid	260	53,5
Total	486	100,0

El Trato as a trust game



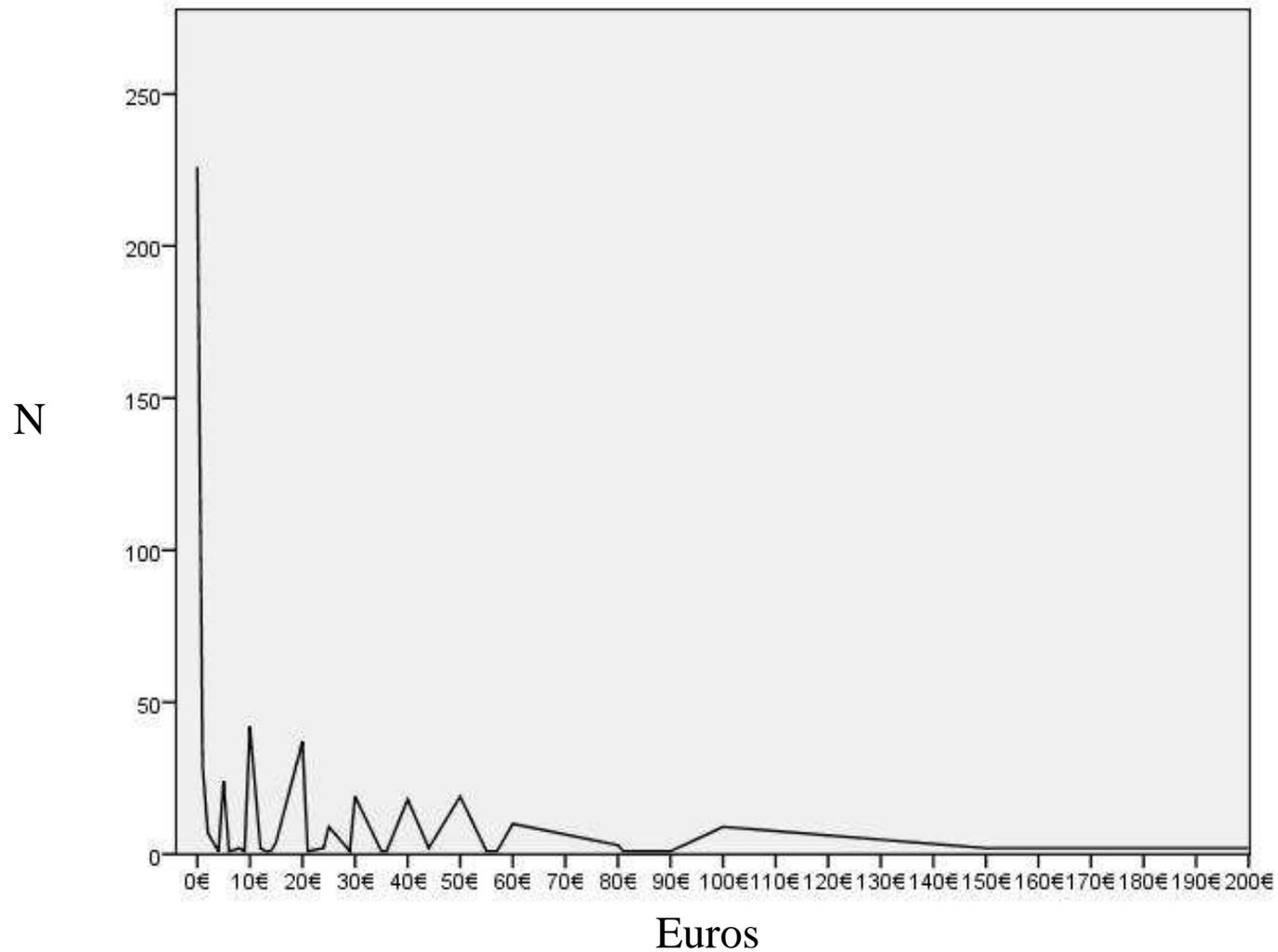


Results

2. Payments

- a) Absolute payments
- b) Relative payments
 - A magnitude effect?

Absolute payments distribution in *El Trato*



Distribution of relative payments in *El Trato* (as % of the price)

Payment	N	%
Did not pay	226	46,5
Between 0,1 and 10% of the price	131	27,0
Between 10,1 y 20% of the price	64	13,2
Between 20,1 y 30% of the price	26	5,3
Between 30,1 y 40% of the price	23	4,7
More than 40% of the price	16	3,3
Total	486	100,0
Mean relative payment		7,9

Relative payments: regression analysis

<i>Independent variables</i>	(A)	(B)	(C)	(D)
WEEKEND	8,167	8,030	6,927	6,423
PACKAGE	(4,237)****	(4,250)****	(3,605)****	(3,360)****
RATING OF THE SERVICE		1,019 (3,360)****	1,034 (3,444)****	0,940 (3,139)***
PRICE			-0,007 (-2,507)**	-0,007 (-2,627)***
AGE				0,290 (2,517)**
Constant	8,279 (7,590)****	2,403 (1,173)	2,205 (2,073)**	-3,010 (-0,809)
N	253	253	253	253
R-square	0,067	0,107	0,129	0,151
F of the model	17,951****	14,987****	12,297****	11,004****

Results: comparative PWYW summary

	EL TRATO	KIM et al. (restaurants, cinema)	NH HOTELS	MAGNATUNE
Payers (%)	53,5	100	92/86	85,5
Mean relative payment (%)	7,9	71/80/110	46/35	102,5
Profitability	NO	YES	YES	YES



Why these results?

(1) The framing of the campaign

- Framing effects exist when different definitions of the same situation change behaviour/judgements of the agents (Kahnemann & Tversky, Bicchieri, etc.).

- At least 4 different frames co-existed in the *El Trato* experience.
 - They first one (preferred by *Atrapalo*) was in tension with the others, and this could generate cognitive dissonance.



(1) The framing of the campaign

Frame 1: Trust and honesty

The Deal was a Trust Game, where *Atrapalo* trusted customers, and they should reciprocate paying a ‘fair’ price.

“We believe that most of the people is honest”

“The deal is a committment to pay for what the trip is worth, if you liked it”

“We believe in your honesty”

“This is like a virtual handshake”

(1) The framing of the campaign





(1) The framing of the campaign

Frame 2: the ‘bargain’

The Deal is a typical market interchange where the seller offers a bargain: accepting it is not only rational but also socially and morally acceptable.

“Enjoy your holiday without paying”

“Enjoy your holiday and pay what you want. Go, and when you are back we talk”

“Do you imagine to book your holiday, enjoy it, and when you are back deciding how much do you want to pay?”



(1) The framing of the campaign

Frame 3: equality of opportunity for a holiday

The Deal offers the chance to enjoy a holiday to those who could not afford it under typical market conditions.

“Everyone deserves to have a good holiday, or, at least, to go away a couple of days”

“We only will make one deal per person, because we want to maximize the number of persons enjoying it”

“We will be activating the products for some days in order that anyone has the opportunity to enjoy them”



(1) The framing of the campaign

Frame 4: The Deal is a price

‘Catching’ a Deal was like getting a scarce good in competitive conditions: it was like a lottery price or a price to an effort

Participants:

“I’ve been refreshing The Deal’s website every 5 seconds for the last 3 hours”

“I am losing my finger because I do not stop refreshing”

“I waked up at 7:30am and I’ve been the whole day connected to The Deal’s website”

Administrators:

“the essence of the campaign is that...;you catch the trip if you are lucky!”

“you must be faster and luckier than the others to be the big winner”



(1) The framing of the campaign

Frames 2, 3 & 4:

- Implicitly recognized that *Atrapalo* expected payments far below the market price.
- Conveyed the message that it was possible to do a low payment (or no payment at all) and still not being ‘inmoral’ (not ‘taking undue advantage’ of the situation).



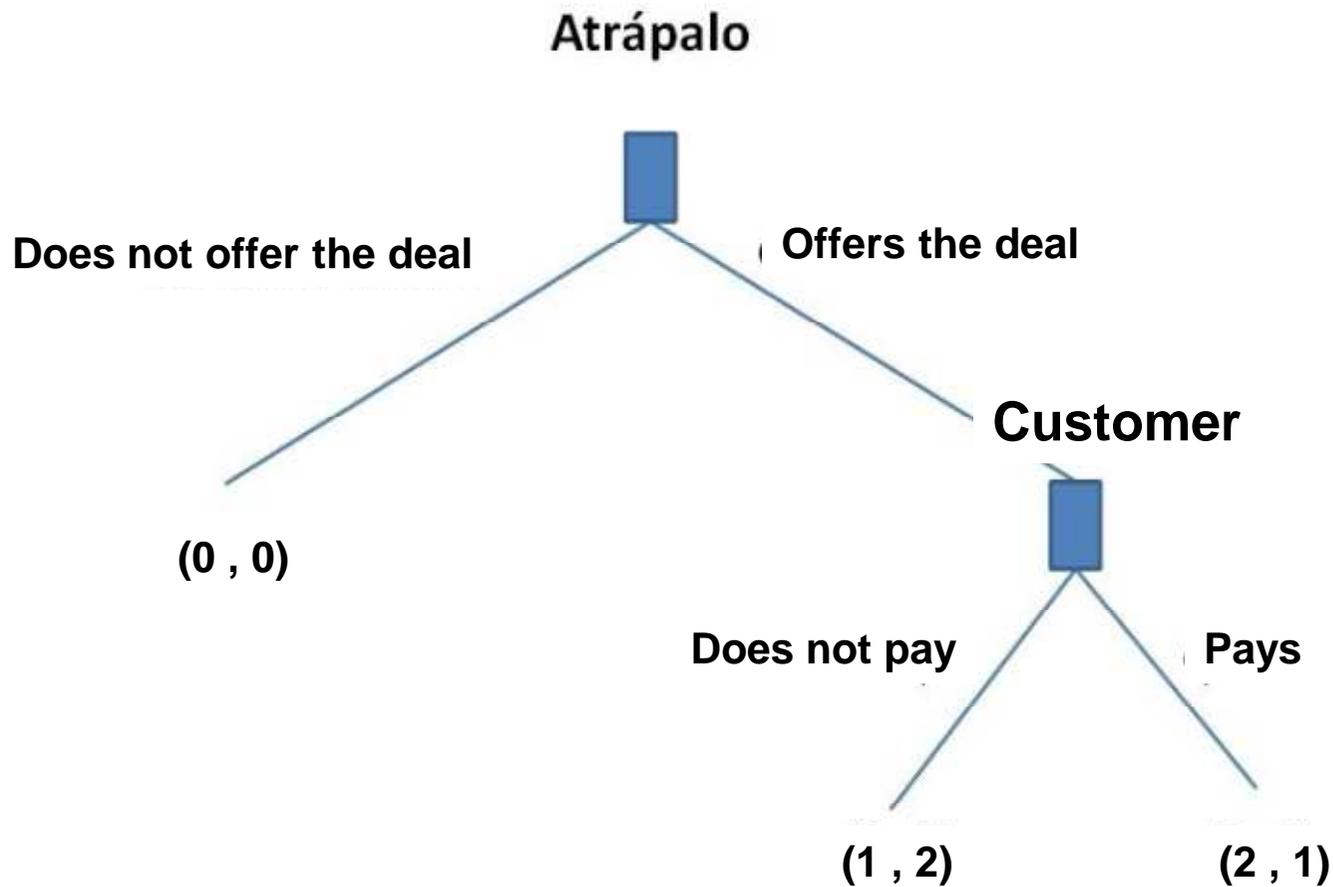
(2) Was *Atrapalo* playing a trust game?

Some customers may have assumed that *Atrapalo* was getting benefits even with low payments (or no payments), so the firm was taking advantage of customers' potential honesty:

- 1) *Atrapalo* overestimated the posted price.
- 2) The products were low-quality or difficult to sell under typical market conditions.
- 3) *The Deal* had only publicity aims, "they didn't count on the money".

Under any of these assumptions, any obligation to reciprocate disappears.

The *El Trato* game with preferences attributed to Atrapalo by some customers





Other possible answers:

- Self-selection bias: PWYW experiences attract ‘free-riders’. But:
 - Other PWYW experiences had better results.
 - No relation between payment and income, age, etc.
- Reputation and anonymity effects: *El Trato* was a one-shot game under anonymity conditions, and this rules out shame or reputation effects.
 - But other PWYW experiences had better results in the same conditions.
- The type of trustor: *Atrapalo* is a big firm.
 - But NH Hotels is too and they got better results.



Conclusion:

“Everyone wants to misbehave, but without having to feel ashamed for it. Do you realize the subtle art implied in that contradiction?”

S. Lem, *Congress of Futurology*

The framing of *El Trato* and the attribution of ‘concealed’ preferences to *Atrapalo* may have made easy for customers to solve cognitive dissonance between self-interested behaviour and reciprocity norms.