



# *Pay What You Want*

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**Jordi Tena-Sánchez**

Analytical Sociology & Institutional Design (GSADI)

Department of Sociology - Universitat Autònoma de Barcelona (UAB)



# The universal selfishness principle

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- Unquestioned principle (in practice) in neoclassical economic theory and standard rational choice theory
  
- But, this principle has been seriously challenged in recent years
  - *Motivational pluralism*: self-interest, social norms, emotions, pro-social motivations, etc.
  
- Empirical evidence coming from lab experiments (experimental economics)
  - But *external validity* is still a problem: would people be pro-social in “natural” social settings?
  
- Pay What You Want (PWYW) experiences help us to test non-selfish behaviors in natural settings



## What is a PWYW experience?

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- PWYW is a innovative sales strategy in which customers decide how much to pay for a good or service (usually including the possibility of paying nothing).
- Museums (NY), travel agencies (Atrápalo), music groups (Radiohead), record labels (Magnatune), pubs and restaurants, theatres (Sala Beckett), software companies, hotels (NH Netherlands), amusement parks (Disneyland Paris), Google Answers, Etc.



## Outcomes of the experiences

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- The majority of customers make some payment
- In commercial terms, the outcomes of PWYW experiences vary widely
  - From resounding failures
  - To resounding successes with the firm increasing its benefits



## PWYW experiences & non-selfish motivations

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- The outcomes of these experiences challenge the universal selfishness principle
- Nowadays the real question is what institutional conditions favor the activation of one rather than the other type of motivation



# Mechanisms influencing payment decisions

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## □ Questions

- Why the majority of people pay for goods and services that they could obtain for free?
- What explains the variation in the outcomes of the experiences?

## □ Main factors

- Framing effects, anonymity, expensiveness, type of the company and its intentions, type of customers and “freeriders’ pull effect”, reference price (usual price, quantity paid by other people...), rewarding experience, etc. (income, meteorology...)



**(2012): “How Much Would You Like to Pay: Trust, Reciprocity, and Prosocial Motivations in *El Trato*”, *Social Science Information*, 51 (3): 389-417**

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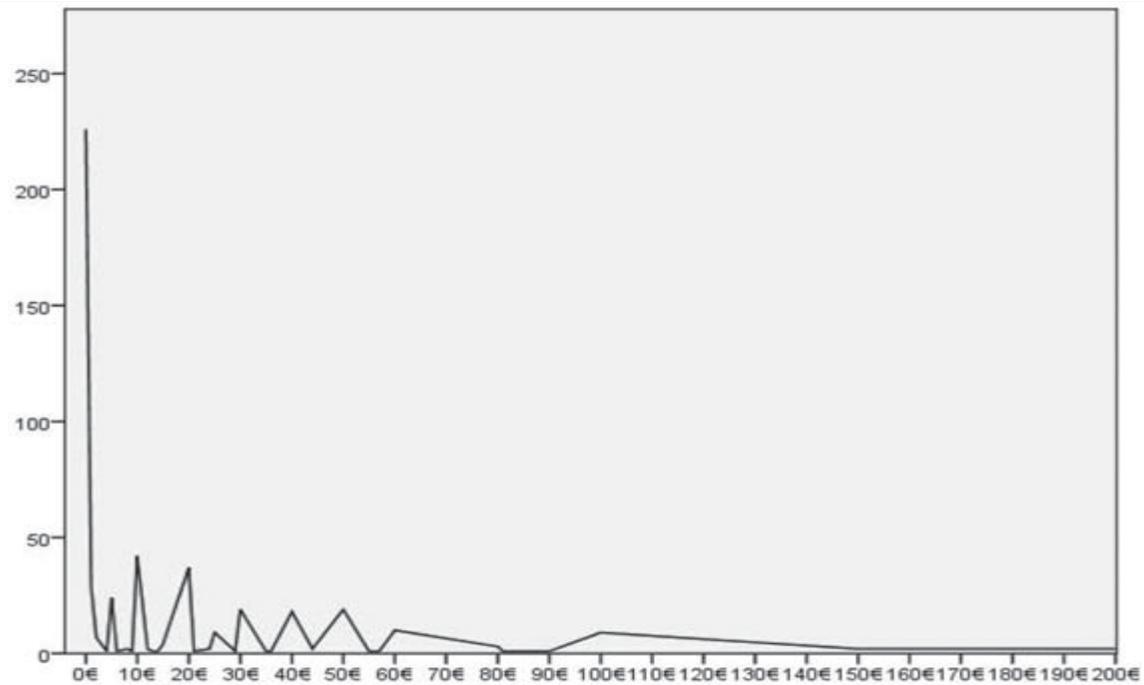
- The *El trato* campaign
  - Holiday packages: weekends in spas, meals in restaurants, nights in hotels, short trips and flights (486 products, valued in 137.000 euros)
  - Procedure:
    - The offers were listed in Atrápalo’s web (with the price)
    - Once an offer was “activated”, the first one in “catching” it got the “deal”.
  - How to comply the deal:
    - After your return, you received an e-mail asking you 1) how much you were paying and 2) to answer a questionnaire
  
- Atrápalo also created a blog where people could give their opinion on the campaign

## Customers' compliance

	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

- Most of people paid, but the % of free-riders was very high

# Absolute payments distribution



- Very low payments (average 14€/27€)

## Relative payments

Payment	N	%
Did not pay	226	46.5
Between 0.1 and 10% of the price	131	27.0
Between 10.1 and 20% of the price	64	13.2
Between 20.1 and 30% of the price	26	5.3
Between 30.1 and 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

- Very low payments
- Disastrous experience: 7011€ (5.1%) of the 137,066€ at which the products were valued
- **What mechanisms explain the outcome (a majoritary but low payment)?**



# Explanatory mechanisms

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- Customers with internalized social norms were faced with a tradeoff between fulfilling norms and their selfish rational interest in making no payments
  
- This trade-off was resolved through two contextual mechanisms
  - Framing process that made it morally acceptable to take advantage of Atrápalo
  - Possibility of adducing that Atrápalo was misguiding their customers

## (1) The framing of the campaign

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- Frame 1: Trust and honesty
  - Atrápalo tried to present *El trato* as an ‘agreement based on honesty’, in an attempt to activate the social norms of trust and reciprocity
    - “*We believe that most of the people is honest*”
    - “*The deal is a commitment to pay for what the trip is worth, if you liked it*”
    - “*We believe in your honesty*”
    - “*This is like a virtual handshake*”



- But, 3 other contradictory frames eroded this one



## (1) The framing of the campaign

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- Frame 2: The ‘bargain’
  - *El Trato* is a typical market interchange where the seller offers a bargain: accepting it is socially and morally acceptable
    - “*Enjoy your holiday without paying*”
    - “*Do you imagine to book your holiday, enjoy it, and when you are back deciding how much do you want to pay?*”
  
- Frame 3: equality of opportunity for a holiday
  - *El Trato* offers the chance to enjoy a holiday to those who could not afford it
    - “*Everyone deserves to have a good holiday, or, at least, to go away a couple of days*”



# (1) The framing of the campaign

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- Frame 4: *El Trato* was a lottery prize or a prize to an effort
  - Participants: Effort
    - *“I’ve been refreshing El Tratos’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 El Trato’s website”*
  - Participants: Lottery
    - *‘To me it’s like a game. The one who grabs it first wins. It’s the reward for refreshing the page minute by minute and getting up several days at 7 o’clock in the morning.’*
    - *‘It may be because of the excitement of winning a prize that I think all this is perfect.’*
    - *‘I never won anything. I hope I get lucky ... Let’s see if it’s my turn this time.’*
  - 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

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- Frames 2, 3 & 4:
  - Implicitly recognized that *Atrápalo* 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) Questioning Atrápalo's preferences

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- Especulations about Atrápalo's hidden interest (“they didn't count on the money”)
  - 1) Atrápalo overestimated the price
    - *‘I'm sure not even they believe the real value price they quote, at least not as far as flights are concerned.’*
    - *“Why do you estimate its value as more than double what it really costs?”*
  - 2) The products were low-quality or difficult to sell under typical market conditions
    - *‘Many tourist destinations may remain empty or unoccupied this summer, and this doesn't seem to make a great deal of sense to us’*
  - 3) *El Trato* had only publicity aims
    - *‘Atrápalo already has what it wanted, i.e. publicity and a huge boost, if you think what a TV advert costs ... and they have only put 300 holidays on offer. Even if they pay for them all themselves, they still end up winning because they've appeared in all the media and it hasn't cost them a penny!’*
- Under these assumptions, any obligation to pay the price disappears



## Other possible mechanisms

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- Self-selection bias: PWYW experiences attract ‘freeriders’.
- Reputation and anonymity effects
- The type of trustor: Atrápalo is a big firm



## Conclusions

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- The framing of *El Trato* and the attribution of ‘concealed’ preferences to *Atrápalo* may have made easy for customers to solve the trade-off between selfish behaviour and social norms
- In spite of being the most unsuccessful PWYW experience analyzed in literature, rational self-interest alone cannot explain the outcome of this experience



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□ Merci beaucoup par votre attention!