

Role of Regulatory Focus in Pay What You Want Pricing

Abstract

Pay-What-You-Want (PWYW) pricing gives customers maximum control over the price they pay. Existing research acknowledges the growing importance of PWYW, but reveals contradictory findings about customer's PWYW participation. Although prior research focuses more on buyer's payment motives, this thesis provides an additional motive for variations in PWYW payments.

Five studies show that customer's regulatory focus can resolve the PWYW participation ambiguity and explain the variability in PWYW payments. First two studies examine the influence of chronic regulatory focus on PWYW participation and payment behavior. Next two studies replicate the previous findings for situational regulatory focus. Results show that buyers with a promotion (prevention) focus have a higher(lower) intention to participate but pay less (more). Study 5 replicates studies 1-4 in a field experiment and provides perceived fairness as a mediator to explain the relationship between regulatory focus and PWYW payments. Results throw a surprising element for managers that buyers with high participation intention may end up paying less. This work enhances the theoretical understanding of PWYW pricing literature and presents some actionable intelligence for practitioners.