

## **Consumer reactions to pay-what-you-want and name-your-own-price mechanisms**

Rafael Luis Wagner<sup>1</sup> | Natalia Araujo Pacheco<sup>1,2</sup> | Kenny Basso<sup>3</sup> |  
Eduardo Rech<sup>1</sup> | Diego Costa Pinto<sup>4</sup>

<sup>1</sup>IMED Business School, Faculdade Meridional - IMED, Passo Fundo, Brazil

<sup>2</sup>IPAM Lisboa, Estrada da Correia, Lisbon, Portugal

<sup>3</sup>Cooperando Intelligence + Interaction, Passo Fundo, Brazil

<sup>4</sup>NOVA Information Management School (NOVA IMS), Universidade Nova de Lisboa,  
Lisbon, Portugal

### ***This is the peer reviewed version of the following article:***

Wagner, R. L., Pacheco, N. A., Basso, K., Rech, E., & Pinto, D. C. (2022). Consumer reactions to pay-what-you-want and name-your-own-price mechanisms. *Journal of Consumer Behaviour*. (Advanced online on January 5<sup>th</sup> 2022. )<https://doi.org/10.1002/cb.2019>

*This article may be used for non-commercial purposes in accordance with Wiley Terms and Conditions for Use of Self-Archived Versions."*



This work is licensed under a [Creative Commons Attribution-NonCommercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/).

## Consumer Reactions to Pay-What-You-Want and Name-Your-Own-Price Mechanisms

### Abstract

Pay-what-you-want (PWYW) and name-your-own-price (NYOP) participative pricing mechanisms are becoming more popular among firms. In response, researchers have examined separate outcomes for each mechanism. However, questions remain, especially regarding which mechanism is most beneficial for consumers and companies. Therefore, our main objective is to investigate the role of these participative pricing mechanisms on consumers' pricing satisfaction, pain of payment, and amount of money they intend to pay. We also explore perceived control as mediating the effect of pricing mechanism on pricing satisfaction and pain of payment. Results from two experimental studies indicate that consumers are more satisfied with the pricing mechanism and feel less pain of payment under PWYW offers rather than under NYOP offers, but they intend to pay less than they would have paid for NYOP. External reference prices (ERPs) act as a boundary condition. That is, in both PWYW and NYOP pricing conditions, when retailers use ERPs, consumers intend to pay more but they are less satisfied with pricing and feel more pain of payment. The article concludes with implications for retailers using participative pricing.

*Keywords:* NYOP, pain of payment, participative pricing, perceived control, PWYW

## 1 Introduction

Retailers know that when consumers perceive that prices are reasonable, they are more satisfied with their purchases and form increased purchase intentions (Dahana et al., 2020; Huang, 2016; Konuk, 2018). Consumers often play a passive role in the pricing process while retailers set the prices for products (i.e., posted prices). Particularly in industries that carry high fixed and low variable costs and that experience fluctuating demands (Krämer et al., 2017), firms are increasingly turning to participative pricing mechanisms in which consumers are active actors in pricing decisions, with the power to name their prices (Kim et al., 2009). Thus, participative pricing is being used in various real-world applications such as restaurants, airlines, hotels, museums, ticket sales, tourism, entertainment establishments, and even music downloads (Krämer et al., 2017; Schons et al., 2014).

Participative pricing includes name-your-own-price (NYOP) and pay-what-you-want (PWYW) offers (Kim et al., 2009). Under PWYW offers, companies agree to sell at any price the customer chooses, including zero (Kim et al., 2009). In contrast, under NYOP offers, companies can refuse offers that fall below a threshold price (Fay, 2004). In this article, we answer calls from researchers for further investigations of consumer reactions and outcomes from participative pricing strategies (Song & Jiang, 2018; Spann et al., 2018).

Researchers often examine separate outcomes for NYOP and PWYW participative pricing mechanisms (e.g., Fay & Zeithammer, 2017; Gross, Rottler, & Wallmeier, 2021; Narwal & Nayak, 2019; Roy et al., 2021), rather than comparing outcomes such as pricing satisfaction, pain of payment, and amount consumers intend<sup>1</sup> to pay (Wagner & Pacheco, 2020). To address the gap, our main objective is to investigate the effects of both PWYW and NYOP on pricing satisfaction, pain of payment, and amount consumers intend to pay.

Most participative pricing studies have focused on consumer satisfaction with products or retailers/service providers (e.g., Gerpott, 2017; Kim et al., 2009). Only a few (Fay & Laran, 2009; Hinz et al., 2011) have considered how pricing mechanisms affect pricing

---

<sup>1</sup> The amount consumers *intend* to pay is used synonymously for how much they *offer* to pay for products or services under PWYW and NYOP. We thank the anonymous reviewers for this suggestion.

1  
2  
3  
4 satisfaction, a topic that remains on the research agenda (Wagner & Pacheco, 2020).  
5  
6 Following studies showing that consumers derive satisfaction from positive expectation  
7  
8 disconfirmation (Spreng et al., 1996), we propose that consumers react to PWYW by forming  
9  
10 highly positive expectation disconfirmation (satisfaction), while they respond to NYOP with  
11  
12 lower positive expectation disconfirmation (lower satisfaction) because PWYW is more  
13  
14 unexpected than NYOP. We argue that perceptions of control mediate the effect. That is,  
15  
16 consumers experience higher satisfaction under PWYW because they perceive that they have  
17  
18 greater control (Guo et al., 2016; Namasivayam & Guchait, 2013), but they feel less  
19  
20 satisfaction under NYOP because they feel less control.

21  
22 Researchers have also overlooked NYOP and PWYW impacts on the pain of payment  
23  
24 (Wagner & Pacheco, 2020), a negative feeling that consumers experience when they pay for  
25  
26 products or services (Prelec & Loewenstein, 1998). We argue that both NYOP and PWYW may  
27  
28 lower the pain of payment because consumers are more focused on price setting strategies  
29  
30 (Chandran & Morwitz, 2005). The underlying psychology aligns with the rationale associated  
31  
32 with the immediacy of payment: consumers feel less pain in paying through credit cards and  
33  
34 more pain in paying by cash or check (Soman, 2001). Under PWYW, consumers will choose the  
35  
36 amount they pay, which may even be zero, so they will experience the lowest pain. We believe  
37  
38 that perceived control mediates the effect because consumers who perceive that they have  
39  
40 control over a purchase report having pleasurable shopping experiences, feelings of fairness  
41  
42 and trust (Hui & Bateson, 1991; Namasivayam & Guchait, 2013).

43  
44 In this article, we report the results of two experimental studies investigating effects  
45  
46 of NYOP and PWYW on pricing satisfaction, pain of payment, and the amount consumers  
47  
48 intend to pay. We explore perceived control as mediating the effect of pricing mechanism on  
49  
50 pricing satisfaction and pain of payment. We also examine external reference prices (ERPs) as  
51  
52 a boundary condition determining how much consumers intend to pay under NYOP and  
53  
54 PWYW. In a significant contribution to the literature, we address gaps regarding effects of  
55  
56 PWYW and NYOP, and ERPs on 1) perceived control, 2) pricing satisfaction, 3) pain of payment,  
57  
58 and 4) the amount consumers intend to pay. Our results provide insights for retailers who  
59  
60 consider adopting participative pricing mechanisms.

## 2 Theoretical Background

### 2.1 PWYW and NYOP Participative Pricing Mechanisms

When retailers use PWYW, they agree to accept whatever price the customer chooses, giving consumers maximum control over how much they pay for products or services (Gerpott, 2017; Kim et al., 2009; Tudón, 2015). Classical economic theory predicts that consumers will focus on self-benefits and pay the least amount possible, but studies show that consumers will select prices that are significantly greater than zero (Johnson & Cui, 2013; Kim et al., 2009; Soule & Madrigal, 2015) and that companies may benefit by increasing sales, profits, and WoM recommendations (Chao et al., 2015; Isaac et al., 2015; Kim et al., 2009; Krämer et al., 2017).

Priceline.com, a travel services platform, was the first to popularize NYOP (Fay, 2004). Users were allowed to bid for services such as airline tickets, hotels, and car rentals<sup>2</sup>; they received email notices about whether their bid was accepted in about 15 minutes (Mills & Law, 2001). NYOP has also been used by airline companies (Spann & Tellis, 2006) and the website www.greentoe.com, which sells cameras, televisions, and other types of electronics (Fay & Zeithammer, 2017). NYOP can benefit companies by increasing profits (e.g., Fay, 2004, 2009; Hinz et al., 2011) and market participation (Fay & Lee, 2015). NYOP strategies can be used to sell surplus products or services (Krämer et al., 2017; Wang et al., 2009) and to draw attention away from competitors (Fay, 2009; Krämer et al., 2017).

### 2.2 Perceived Control

When consumers perceive that they have control, they believe they can "significantly alter events" (Burger, 1989, p. 246). However, perceptions of control may differ from "objective control conditions present in the context" (Skinner, 1996, p. 551) in that people may overestimate or underestimate their actual control levels (Scott & Weems, 2010).

---

<sup>2</sup> Currently, this platform is only using NYOP for hotels.

1  
2  
3  
4 Whatever the actuality, perceived control strongly affects consumer emotions and predicts  
5 consumer behavior (Burger, 1989; Skinner, 1996). Even in PWYW situations, when consumers  
6 are granted complete control (Kim et al., 2009), their actual control and perceptions of control  
7 may generate different emotional reactions (Scott & Weems, 2010).  
8  
9

10  
11 Few participative pricing studies have measured perceived control as an antecedent of  
12 consumer behavior. Chandran and Morwitz (2005) found that consumers who have high  
13 perceptions of control will have higher purchase intentions in auction scenarios but will have  
14 lower purchase intentions in posted price scenarios. However, they overlooked effects of  
15 pricing mechanism on perceptions of control.  
16  
17

18  
19 Choice is an antecedent of perceived control (e.g., Chang et al., 2020; Pacheco et al.,  
20 2013; Skinner, 1996). Under PWYW scenarios, consumers have free choice and should have  
21 the greatest perceptions of control. Under NYOP, companies can refuse prices that fall below  
22 bid thresholds, so consumers should have lower perceptions of control than under PWYW.  
23 Nevertheless, in posted price situations, consumers have no choice at all, so it should evoke  
24 the lowest perceptions of control. Consequently, we hypothesize:  
25  
26  
27  
28  
29  
30  
31  
32

33  
34 **H1:** Pricing mechanisms influence consumers' perceived control such that consumers report  
35 higher perceived control in (a) PWYW over NYOP, (b) PWYW over posted prices, (c) NYOP over  
36 posted prices.  
37  
38  
39  
40

41  
42 When consumers have high perceptions of control, they have pleasant shopping  
43 experiences, forming emotional and behavioral responses like positive affect, trust, self-  
44 esteem, fairness perceptions, and intentions to further patronize companies (Bolkan et al.,  
45 2010; Guo et al., 2016; Hui & Bateson, 1991; Namasivayam & Guchait, 2013; Uhrich, 2011).  
46 Therefore, perceived control should determine how participative pricing mechanisms  
47 influence variables such as pricing satisfaction and the pain of payment.  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

## 2.3 Pricing Satisfaction

Most studies regarding PWYW investigated satisfaction with a product as an antecedent of the amount paid after consumption (Gerpott, 2017). Some NYOP studies have shown that consumers are satisfied with varying threshold prices (Fay & Laran, 2009) and will remain satisfied even if sellers use an adaptive threshold price policy consisting of different threshold prices for different consumers (Hinz et al., 2011). Nevertheless, we need further discussions of satisfaction with NYOP versus PWYW and its antecedents.

Participative pricing is an innovative, surprising, unconventional appeal (Kim et al., 2009). In line with the Expectation Disconfirmation Theory (Oliver, 1977; Spreng et al., 1996), when consumers learn that they can choose their prices rather than pay posted prices, their expectations are greatly exceeded and their satisfaction is enhanced. PWYW should be most pleasing because the company is obligated to accept whatever price the customer sets, even if they pay nothing. Under NYOP, customers must wait to see whether their bid is accepted or rejected, so it is likely to evoke less satisfaction than PWYW. Therefore, we expect a direct effect of the pricing mechanisms on pricing satisfaction.

Moreover, we expect pricing mechanisms to indirectly affect pricing satisfaction through perceived control. To reiterate, consumers should feel higher levels of perceived control when they are involved in participative pricing and lower levels of control when they are involved with posted prices. Choice is an antecedent of perceived control (Chang et al., 2020; Pacheco et al., 2013; Skinner, 1996), which affects satisfaction (Bolkan et al., 2010; Guo et al., 2016; Namasivayam & Guchait, 2013; Pacheco et al., 2013). Thus, we hypothesize the following direct and indirect effects of pricing mechanism on pricing satisfaction:

**H2:** Pricing mechanisms influence consumers' satisfaction with the pricing mechanism such that consumers report higher pricing satisfaction in (a) PWYW over NYOP, (b) PWYW over posted prices, (c) NYOP over posted prices.

**H3:** Perceived control mediates the effects of pricing mechanisms on the satisfaction with the pricing mechanism, such that when consumers report higher perceived control, they report higher satisfaction with the pricing mechanism.

## 2.4 Pain of Payment

When consumers must pay for a product, they generally face *the pain of payment*, defined as a series of negative feelings associated with costs, which may undermine the pleasure that one derives from a purchase (Prelec & Loewenstein, 1998). Neuroscience research has provided evidence that consumers endure psychological trade-offs between the pleasure of acquisition and the pain of payment (Knutson et al., 2007). Research has focused mainly on how payment methods can be altered to attenuate the pain. For example, writing out total dollar amounts when paying by check makes outlays more salient (Prelec & Loewenstein, 1998). Payments by electronic methods such as credit cards are weaker in stimulating memory than cash or checks (Soman, 2001).

Similarly, participative pricing mechanisms may lower pain of payment because when consumers are focused on setting prices, they may form vague memory traces, analogous to the effects of using credit cards (Chandran & Morwitz, 2005; Soman, 2001). Under PWYW particularly, consumers will have higher actual control in determining how much they will pay and the possibility of paying less than under NYOP. Thus, we expect a direct effect of pricing mechanism on pain of payment, with consumers having the lowest pain of payment under PWYW. Moreover, we expect an indirect effect of pricing mechanism on pain of payment through perceived control. Under PWYW, consumers will have higher perceptions of control. Thus, they should experience lower pain of payment because perceived control is associated with pleasurable shopping experiences (Hui & Bateson, 1991) and perceptions of fairness and trust (Namasivayam & Guchait, 2013; Uhrich, 2011).

Consumers have less control under NYOP than they have under PWYW, but they still participate in pricing decisions (Fay, 2004) and will be focused on making a strategic offer (Chandran & Morwitz, 2005). The distraction and the opportunity to pay less than posted price is expected to lower the pain of payment (Wagner & Pacheco, 2020). In summary, pricing mechanisms should have both direct and indirect effects on pain of payment, mediated by perceived control, leading us to hypothesize:



1  
2  
3  
4 **H4:** Pricing mechanisms influence consumers' pain of payment such that consumers report  
5 lower pain of payment in (a) PWYW over NYOP, (b) PWYW over posted prices, (c) NYOP over  
6 posted prices.  
7  
8  
9

10  
11 **H5:** Perceived control mediates the effects of pricing mechanisms on pain of payment, such  
12 that when consumers report higher perceived control, they report lower pain of payment.  
13  
14  
15

## 16 17 18 19 2.5 The Amount of Money Consumers Intend to Pay 20 21

22  
23 To increase the amount customers pay under PWYW and NYOP, retailers may use  
24 tactics such as providing ERPs (Isaac et al., 2015; Kim et al., 2009; Kim, Kaufmann, &  
25 Stegemann, 2014; Soule & Madrigal, 2015; Wagner, 2019; Weisstein, Kukar-Kinney, &  
26 Monroe, 2016), reducing consumers' uncertainty about the appropriate price to pay (Narwal  
27 & Nayak, 2019). Although some researchers argue that ERPs may decrease the amount  
28 consumers will pay and cause them to perceive that they are being manipulated to pay more  
29 than they want (Johnson & Cui, 2013; Roy et al., 2021), the literature tends to emphasize  
30 positive rather than negative effects of ERPs. We expect that ERPs will increase the amount  
31 consumers intend to pay but may decrease pricing satisfaction and increase pain of payment.  
32  
33  
34  
35  
36  
37  
38

39 One question to consider is which strategy leads consumers to pay more, PWYW or  
40 NYOP? PWYW may increase market penetration (Krämer et al., 2017), but we must investigate  
41 whether PWYW leads consumers to pay more than NYOP. Under PWYW, consumers may  
42 perceive that payment is voluntary, somewhat like donations, so they may be generous in  
43 choosing the amount they intend to pay (Spann et al., 2018). Some NYOP sellers may invite  
44 consumers to rebid if their bids are rejected (Spann et al., 2018). If consumers know that they  
45 can try again, they may start low and raise their bids in subsequent tries. However, when they  
46 believe they are restricted to single bids and may lose out on the deal by bidding too low, they  
47 are likely to bid high (Schons et al., 2014). Thus, we hypothesize:  
48  
49  
50  
51  
52  
53  
54  
55  
56

57 **H6:** When consumers do not know whether they can make multiple bids, they report  
58 intentions to pay more under NYOP rather than PWYW, regardless of ERP.  
59  
60

### 3 Study 1

We conducted Study 1 to compare impacts of each pricing mechanism on perceived control (H1a, H1b, H1c), pricing satisfaction (H2a, H2b, H2c), and pain of payment (H4a, H4b, H4c). We also tested perceived control as a mediator between pricing mechanisms and pricing satisfaction (H3) and pain of payment (H5).

#### 3.1 Design, Participants, and Procedure

We designed a single-factor between-subjects experiment considering posted price, NYOP, and PWYW pricing mechanisms. Using Figure Eight, an online platform, we sent emails seeking recruits who had previous experience with buying concert tickets online. The 127 participants (56% women,  $M_{\text{age}} = 39.06$ ,  $SD = 13.93$ ) were then randomly assigned to one of the experimental conditions ( $n_{\text{PWYW}} = 40$ ,  $n_{\text{NYOP}} = 45$ ,  $n_{\text{POSTED PRICE}} = 42$ ). To compute an adequate sample size, we used G\*power, a statistical power analysis program (Faul et al., 2007). The sample size was computed as a function of the desired power level (.90), number of groups (3), and effect size (.30), based on findings from studies on participative pricing mechanisms (e.g., Weisstein et al., 2016).

Before participants read the manipulation, we asked them to name their favorite band, which we then used in the manipulation texts and questions to increase involvement. Participants read about a simulated online shopping experience of buying a concert ticket, adapted from Soule and Madrigal (2015). The context involves high fixed and low variable costs and is highly suitable for examining participative pricing mechanisms (Krämer et al., 2017). By asking participants to imagine they would pay with a credit card, we controlled for possible differences in the pain of payment generated by payment methods (Prelec & Loewenstein, 1998; Soman, 2001).

All participants read the following: "*Imagine that you visit a website to buy a ticket for a [favored band name] concert.*" Participants assigned to the PWYW scenario read the following:

1  
2  
3  
4 *Pay What You Want! Our pricing policy lets you decide the amount you would like to*  
5 *pay for your ticket. Once you enter the price you will pay, you can download your ticket.*  
6 *You can choose to pay any amount for your ticket. All tickets are general admissions,*  
7 *so the price that you pay will not affect where you sit at the concert. You must pay with*  
8 *a credit card. How much would you like to pay in US dollars?*

9  
10  
11  
12  
13 Participants assigned to the NYOP scenario read the following:

14  
15 *Name-your-own-price! Our pricing policy lets you make an offer for the amount you*  
16 *would like to pay for your ticket. Once you enter the price you wish to pay, the system*  
17 *will calculate whether your bid can be accepted. You can offer to pay any amount for*  
18 *your ticket, but your offer may be refused if your bid is too low. All tickets are general*  
19 *admissions, so the price that you pay will not affect where you sit at the concert. If your*  
20 *offer is accepted, you must pay with a credit card. How much would you like to pay in*  
21 *US dollars?*

22  
23  
24  
25  
26  
27  
28 Participants assigned to the posted price scenario read the following:

29  
30 *Our pricing policy informs you the price to be paid for your ticket. All tickets are general*  
31 *admissions, so the price that you pay will not affect where you sit at the concert. You*  
32 *must pay with a credit card. The price of your ticket is US\$116.*

33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
The cost of the ticket was derived from a pretest using 41 US residents. They were asked to imagine visiting a website to buy a ticket for a concert by their favorite band and answer the question "How much do you think the ticket costs, in US dollars?" The average amount was US\$116.

### 3.2 Measures

50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
The manipulations were checked with three questions, answered on a 5-point Likert-type scale (1 = totally disagree and 5 = totally agree): (1) "The price of the ticket of [Band Name] was informed by the website, so I did not indicate how much I wanted to pay for it," (2) "I could make an offer of the price that I wanted to pay for the ticket of [Band Name], but the website could refuse my bid," and (3) "I could pay the price I wanted for the ticket of [Band Name], and the website could not refuse my offer." Participants assigned to the posted price scenario saw an additional question: "How much did the ticket cost?"

Gender, age, level of education, family yearly income, and involvement with music concerts were used as control variables.

We assessed the pain of payment variable through eight items adapted from Thomas et al. (2011). Pricing satisfaction was evaluated by four items adapted from Wen et al. (2011). Perceived control was assessed through four items adapted from Van Rompay et al. (2008). Appendix 1 provides a complete list of items and reliability analyses.

### 3.3 Results

#### *Manipulation Checks*

One-way ANOVA results showed that participants successfully perceived the posted price condition when it was present on the website ( $M_{\text{Posted Price}} = 4.76$ ;  $M_{\text{PWYW}} = 1.50$ ;  $M_{\text{NYOP}} = 1.53$ ;  $F(2,124) = 178.42$ ,  $p < .001$ ) and correctly perceived the value of the posted price ( $M = 115.88$ ,  $SD = 1.01$ ). They also correctly perceived that the website could refuse the bid under the NYOP condition ( $M_{\text{NYOP}} = 4.44$ ;  $M_{\text{Posted Price}} = 1.60$ ;  $M_{\text{PWYW}} = 2.18$ ;  $F(2,124) = 75.41$ ,  $p < .001$ ). Finally, they correctly perceived that the website had to accept the offer under the PWYW condition ( $M_{\text{PWYW}} = 4.30$ ;  $M_{\text{NYOP}} = 1.78$ ;  $M_{\text{Posted Price}} = 1.40$ ;  $F(2,124) = 86.08$ ,  $p < .001$ ). Therefore, the manipulations were successful.

#### *Hypotheses Tests*

One-way ANOVA<sup>3</sup> results indicated that PWYW<sup>4</sup> ( $M_{\text{PWYW}} = 4.23$ ) generated greater perceived control than NYOP ( $M_{\text{NYOP}} = 3.61$ ,  $p < .01$ ) and posted prices ( $M_{\text{Posted Price}} = 2.53$ ,  $p < .001$ ;  $F(2,124) = 31.17$ ,  $p < .001$ ), supporting H1a and H1b. NYOP generated higher perceived control than posted prices ( $p < .001$ ), supporting H1c.

PWYW ( $M_{\text{PWYW}} = 4.49$ ) yielded greater levels of pricing satisfaction than NYOP ( $M_{\text{NYOP}} = 3.61$ ,  $p < .001$ ) and posted prices ( $M_{\text{Posted Price}} = 2.58$ ,  $p < .001$ ;  $F(2,124) = 29.07$ ,  $p < .001$ ),

---

<sup>3</sup> The control variables (gender, age, level of education, family yearly income, and involvement with music concerts) had no significant effect on perceived control, pricing satisfaction or pain of payment. Thus, they were omitted from the analysis.

<sup>4</sup> Conditions were coded PWYW = 1; NYOP = 2; Posted Price = 3.

1  
2  
3  
4 whereas NYOP increased pricing satisfaction more than posted prices ( $p < .001$ ), supporting  
5 H2a, H2b and H2c.  
6

7  
8 PWYW ( $M_{PWYW} = 1.62$ ) generated lower pain of payment than NYOP ( $M_{NYOP} = 2.07$ ,  $p < .05$ )  
9 and posted prices ( $M_{PostedPrice} = 3.08$ ,  $p < .001$ ;  $F(2,224) = 22.35$ ,  $p < .0001$ ), whereas NYOP  
10 reduced the pain of payment more than posted prices ( $p < .001$ ), supporting H4a, H4b and  
11 H4c.  
12  
13  
14

### 15 16 17 *Mediation Hypotheses*

18  
19 To test H3 and H5, the mediation analysis followed Preacher and Hayes (2004) in using  
20 the PROCESS Macro with the bootstrapping procedure (Model 4; 95% confidence interval (CI);  
21 5,000 bootstrap resamples). Perceived control was considered a mediator between pricing  
22 mechanism (X) and pricing satisfaction (Y). Perceived control (M) was directly related to pricing  
23 satisfaction ( $b_1 = .78$ ,  $t = 10.19$ ,  $p < .001$ ;  $BootCI = .6296$  to  $.9333$ ): higher (lower) perceived  
24 control led to higher (lower) pricing satisfaction. However, the direct effects were significant  
25 only when comparing PWYW versus NYOP ( $BootCI = -.7731$  to  $-.0240$ )<sup>5</sup>, and PWYW versus  
26 Posted Price ( $BootCI = -1.0413$  to  $-.1421$ ). No significant effect was found on comparing NYOP  
27 versus Posted Price ( $BootCI = -.5865$  to  $.2004$ ). As Figure 1 shows, the relative indirect effects  
28 ( $ab$ ) of pricing mechanisms on pricing satisfaction through perceived control were significant  
29 when all conditions were compared, supporting H3.  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40

41 [Insert Figure 1. Direct and indirect effects of pricing mechanism on pricing satisfaction]  
42  
43

44  
45 When perceived control (M) was added as mediating pricing mechanism (X) effects on  
46 pain of payment (Y), it significantly and negatively affected pain of payment ( $b = -.51$ ,  $t = -6.23$ ,  
47  $p < .001$ ;  $BootCI = -.6665$  to  $-.3450$ ): higher (lower) perceived control evoked lower (higher)  
48 pain of payment. When the mediator was added to the model, pricing mechanism had a  
49 significant direct effect on pain of payment when PWYW was compared with posted price  
50  
51  
52  
53  
54

---

55  
56  
57 <sup>5</sup> When bootstrap 95% confidence intervals ( $BootCI$ ) do not include zero, the indirect effect is considered significant at the  
58 0.05 level.  
59  
60

1  
2  
3  
4 (BootCI = .1245 to 1.0765) and when NYOP was compared with posted price (BootCI = .0524  
5 to .8856). Both PWYW and NYOP caused lower pain of payment than posted prices, but no  
6 significant direct effect occurred when PWYW was compared with NYOP (BootCI = -.2650 to  
7 .5281). Figure 2 shows that when all conditions were compared, the relative indirect effect  
8 (ab) of pricing mechanism on pain of payment through perceived control was significant,  
9 supporting H5.  
10  
11  
12  
13  
14  
15  
16

17 [Insert Figure 2. Direct and indirect effects of pricing mechanism on pain of payment]  
18  
19

20 We have shown that perceived control is crucial in determining how participative  
21 pricing mechanisms affect pricing satisfaction and pain of payment, but we must consider the  
22 element of uncertainty. As customers need to decide how much they will pay for a product,  
23 they must rely on some information to reduce uncertainty. ERPs may be a source of  
24 information that helps consumers choose how much they want to pay (Isaac et al., 2015; Kim  
25 et al., 2009; Kim et al., 2014; Roy et al., 2016; Soule & Madrigal, 2015; Weisstein et al., 2016).  
26 We conducted Study 2 to examine how ERPs interact with participative pricing mechanisms  
27 for driving the amount consumers intend to pay, pricing satisfaction, and pain of payment.  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38

#### 39 **4 Study 2**

40  
41  
42  
43 We conducted Study 2 to investigate whether consumers intend to pay more under  
44 NYOP or PWYW and to examine whether the provision of ERPs increases the amount they  
45 intend to pay (H6), decreases pricing satisfaction, and increases pain of payment. We also seek  
46 further support for Study 1.  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

#### 4.1 Design, Participants, and Procedure

This study has a 2 (Pricing mechanism: PWYW or NYOP)  $\times$  2 (ERP: present vs. absent) between-subject design. We set the ERP value at US\$116, as determined by the pretest mentioned in Study 1. Using Figure Eight, an online platform, we recruited 155 participants (61.3% women,  $M_{\text{age}} = 40.9$ ) and randomly assigned them to one of four experimental groups ( $n_{\text{PWYW+ERP}} = 45$ ,  $n_{\text{PWYW+NoERP}} = 29$ ,  $n_{\text{NYOP+ERP}} = 39$ ,  $n_{\text{NYOP+NoERP}} = 42$ )<sup>6</sup>. As in Study 1, we required that participants had previous experience in buying concert tickets. To compute an adequate sample size, we used G\*power (Faul et al., 2007) and computed sample size as a function of the desired power level (.90), number of groups (4), and effect size (.30), chosen based on previous studies (e.g., Weisstein et al., 2016).

Manipulations of the PWYW and NYOP scenarios were the same as in Study 1. However, participants under the PWYW with ERP scenario were told: "*The ticket usually costs US\$116, but you can choose to pay any amount for your ticket,*" while those under the NYOP with ERP scenario read the following text: "*The ticket usually costs US\$116. You can offer to pay any amount for your ticket, but your offer may be refused if your bid is too low.*"

#### 4.2 Measures

Manipulations were checked with the same questions used in Study 1. Additionally, participants assigned to scenarios including ERP had to indicate how extensively they agreed with the statement: "The website informed me how much the ticket usually costs," answered on a 5-point Likert scale. They also indicated how much the tickets usually cost. We also measured the control variables from Study 1: gender, age, education level, family yearly income, and involvement with music concerts.

---

<sup>6</sup> Cell sizes differ because some participants failed the attention check and were removed from the analysis. However, results from statistical analyses performed before participants were removed were similar to the results reported in the text.

Pricing satisfaction, pain of payment, and perceived control were assessed with the scales used in Study 1. We assessed the amount they intended to pay by asking how much they would like to pay for the ticket after they read the texts.

### 4.3 Results

#### *Manipulation Checks*

The two-way ANCOVA<sup>7</sup> results indicated that participants in the NYOP condition understood that they could make an offer and that the website could refuse their bid ( $M_{\text{NYOP}} = 4.80$  vs.  $M_{\text{PWYW}} = 1.91$ ;  $F(1,153) = 346.83$ ,  $p < .001$ ). Participants in the PWYW condition understood that they could pay their preferred price ( $M_{\text{PWYW}} = 4.34$  vs.  $M_{\text{NYOP}} = 1.53$ ;  $F(1,153) = 257.95$ ,  $p < .001$ ). Furthermore, those in the ERP-present conditions reported that the website informed them of the usual cost per ticket ( $M_{\text{ERP}} = 4.77$  vs.  $M_{\text{NoERP}} = 1.44$ ;  $F(1,153) = 667.82$ ,  $p < .001$ ). They also correctly reported the price given by the ERP ( $M = 116.30$ ,  $SD = 5.27$ ). Therefore, the manipulations were successful.

#### *Hypotheses Tests*

Two-way ANCOVA results showed that participants intended to pay significantly higher amounts under the NYOP<sup>8</sup> condition ( $M_{\text{NYOP}} = 61.49$ ) than under the PWYW condition ( $M_{\text{PWYW}} = 43.88$ ;  $F(1,154) = 30.47$ ,  $p < .001$ ), regardless of presence or absence of an ERP, supporting H6.

ERP significantly affected the amount of money consumers intended to pay ( $F(1,154) = 70.72$ ,  $p < .001$ ). Participants indicated intentions to pay higher amounts when an ERP was present under both PWYW ( $M_{\text{NoERP}} = 26.00$  vs.  $M_{\text{ERP}} = 55.40$ ,  $p < .0001$ ) and NYOP conditions ( $M_{\text{NoERP}} = 41.12$  vs.  $M_{\text{ERP}} = 83.44$ ,  $p < .0001$ ). The amounts were significantly greater than zero

---

<sup>7</sup> Income significantly affected the amount they intended to pay. Involvement significantly affected pricing satisfaction and pain of payment. We included those variables as covariates in the analysis.

<sup>8</sup> Conditions were coded PWYW = 1; NYOP = 2.



under all four conditions ( $t(154) = -24.01, p < .0001$ ). Interaction effect was nonsignificant ( $p > .05$ ). Figure 3 shows results.

[Insert Figure 3. The amount consumers intend to pay according to presence or absence of an ERP]

ANCOVA results showed that pricing mechanism had a significant main effect on pricing satisfaction ( $F(1,150) = 18.24, p < .001$ ). ERP also had a significant effect on pricing satisfaction ( $F(1,150) = 7.58, p < .001$ ): ERP presence caused lower pricing satisfaction under PWYW ( $M_{\text{NoERP}} = 4.62$  vs.  $M_{\text{ERP}} = 4.11, p < .05$ ) and NYOP ( $M_{\text{NoERP}} = 3.86$  vs.  $M_{\text{ERP}} = 3.37, p < .05$ ) conditions. The interaction effect was nonsignificant ( $p > .05$ ).

ANCOVA results also showed that pricing mechanism significantly affected pain of payment ( $F(1,154) = 19.72, p < .001$ ). ERP also significantly affected pain of payment ( $F(1,154) = 9.6, p < .01$ ). ERP presence caused higher pain of payment under PWYW ( $M_{\text{NoERP}} = 1.21$  vs.  $M_{\text{ERP}} = 1.75, p < .01$ ) and NYOP ( $M_{\text{NoERP}} = 1.91$  vs.  $M_{\text{ERP}} = 2.24, p < .05$ ) conditions. The interaction effect was nonsignificant ( $p > .05$ ).

Study 2 offered consistent and additional support for the hypotheses tested in Study 1. In the test of H1a, PWYW ( $M_{\text{PWYW}} = 3.98$ ) generated greater perceived control than NYOP ( $M_{\text{NYOP}} = 3.51$ ) ( $F(1,153) = 9.73, p < .01$ ). The test of H2a showed that PWYW ( $M_{\text{PWYW}} = 4.31$ ) generated greater pricing satisfaction than NYOP ( $M_{\text{NYOP}} = 3.62, p < .001$ ) ( $F(1,153) = 16.95, p < .001$ ). In the test of H4a, PWYW ( $M_{\text{PWYW}} = 1.62$ ) generated lower pain of payment than NYOP ( $M_{\text{NYOP}} = 2.07, p < .05$ ) ( $F(1,153) = 17.35, p < .001$ ). H1b, H1c, H2b, H2c, H4b, and H4c were omitted because Study 2 omitted the posted price condition.

### Mediation Hypotheses

We conducted a mediation analysis to test H3 and H5 to observe whether the variables in Studies 1 and 2 would show consistency. We used the PROCESS Macro with the bootstrapping procedure (Model 4; 95% confidence interval (CI); 5,000 bootstrap resamples) (Preacher & Hayes, 2004). Perceived control was considered a mediator between pricing mechanism (X) and pricing satisfaction (Y). Perceived control (M) was directly related to pricing satisfaction ( $b_1 = .90, t = 17.28, p < .001$ ; BootCI = .7948 to 1.000): higher (lower) perceived

control generated higher (lower) pricing satisfaction. Pricing mechanism also had a significant direct effect ( $c' = -.26$ ,  $t(2,152) = -2.62$ ,  $p < .01$ ) and a significant indirect effect on pricing satisfaction ( $ab = -.42$ ), considering a 95% CI, excluding zero (-.6943 to -.1623). PWYW prompted higher perceptions of control and the associated higher satisfaction, supporting H3.

As in study 1, we tested another mediation model with a different dependent variable. Perceived control was examined as the mediator between pricing mechanism (X) and pain of payment (Y). Perceived control (M) was directly related to pain of payment ( $b_1 = -.57$ ,  $t = 11.33$ ,  $p < .001$ ;  $BootCI = -.6708$  to  $-.4716$ ): higher (lower) perceived control evoked lower (higher) pain of payment. Pricing mechanism had a significant direct effect ( $c' = .26$ ,  $t(2,152) = 2.7$ ,  $p < .001$ ) and a significant indirect effect on pain of payment ( $ab = .27$ ), considering a 95% CI, excluding zero (.1031 to .4384). PWYW prompted higher perceptions of control and thus lowered the pain of payment, supporting H5.

The covariates were tested but they failed to affect the mediations ( $p > .05$ ). Although we omitted considerations of posted price, the mediation results aligned with Study 1.

## 5 General Discussion and Conclusions

Our main objective for conducting this research is to examine PWYW and NYOP participative pricing mechanisms for their effects on consumers' pricing satisfaction, pain of payment, and payment intentions. Two experimental studies reveal that PWYW generates higher pricing satisfaction and lower pain of payment, whereas NYOP increases amounts consumers intend to pay. Additionally, the results show that consumers' perceptions of control mediate the effects on satisfaction and pain of payment. External reference prices (ERPs) appear to increase amounts consumers intend to pay.

### 5.1 Theoretical Implications

Our findings suggest that when PWYW and NYOP participative pricing mechanisms are compared with traditional posted price strategies they are more effective for increasing pricing satisfaction and reducing pain of payment. By demonstrating effects on important

1  
2  
3  
4 consumer outcomes, our work adds to the literature devoted to "new participative pricing  
5 mechanisms" (Kim et al., 2009, p. 44).  
6  
7

8 Our findings indicate that PWYW and NYOP are similar in theoretical scope because  
9 both are participative pricing mechanisms but have different consumer outcomes: PWYW  
10 leads to the highest price satisfaction and the lowest pain of payment, while NYOP increases  
11 the amount consumers intend to pay. By demonstrating the differences, we address calls for  
12 further investigation of PWYW and NYOP outcomes (Spann et al., 2018), especially regarding  
13 consumer reactions (Song & Jiang, 2018). We provide some insights to help answering queries  
14 about which pricing mechanisms have the best outcomes for consumers and companies  
15 (Wagner & Pacheco, 2020). We also extend the literature on pricing satisfaction regarding  
16 PWYW and NYOP, an under-researched topic in studies of participative pricing (Wagner &  
17 Pacheco, 2020).  
18  
19  
20  
21  
22  
23  
24  
25

26 In a contribution to the pricing literature, we contend that perceived control is a critical  
27 variable explaining pricing satisfaction and pain of payment. Researchers have investigated  
28 the antecedents and outcomes of participative pricing mechanisms (e.g., Roy et al., 2016)  
29 without examining underlying processes (e.g., Barone et al., 2017). Nevertheless, we must  
30 understand the underlying processes, considering that consumers might exploit their control  
31 over prices (Kim et al., 2009). Moreover, investigations of perceived control have been limited  
32 to effects in auctions (e.g., Chandran & Morwitz, 2005) rather than in PWYW and NYOP.  
33  
34  
35  
36  
37  
38

39 We show that perceptions of control determine how participative pricing strategies  
40 influence consumer perceptions. We show that PWYW and NYOP pricing mechanisms activate  
41 perceptions of control over prices, which makes consumers feel highly satisfied with pricing  
42 and allows them to escape the pain of payment. By demonstrating that enhanced perceptions  
43 of control generate more pleasant experiences even when the pricing mechanism is the  
44 source of control, we extend previous studies (e.g., Hui & Bateson, 1991; Van Rompay et al.,  
45 2008).  
46  
47  
48  
49  
50  
51

52 Pain of payment research has focused on how the pain interferes with satisfaction  
53 (Soster et al., 2014) or on whether cash or credit card payments cause greater pain (Chatterjee  
54 & Rose, 2012), while ignoring the key factors that influence such relationships. We offer a  
55 fresh perspective by comparing effects of PWYW and NYOP participative pricing mechanisms  
56 on pain of payment.  
57  
58  
59  
60

1  
2  
3  
4 We provide relevant implications for reference price models (e.g., Briesch et al., 1997;  
5 Kalyanaram & Winer, 1995). Notably, we show that ERP increases the amount consumers  
6 intend to pay under PWYW and NYOP, but it reduces pricing satisfaction and increases the  
7 pain of payment. The findings add underlying effects of participative pricing, extending studies  
8 focused on the formation of reference prices (Kalyanaram & Winer, 1995) and memory stimuli  
9 (Briesch et al., 1997).  
10  
11  
12  
13  
14  
15  
16

## 17 5.2 Managerial Implications

18  
19  
20  
21 Companies may use PWYW and NYOP strategies for various reasons, such as to gain  
22 market exposure, increase popularity through word of mouth, and dispose of surplus services  
23 or goods (Kim et al., 2009; Krämer et al., 2017; Spann et al., 2018). We provide insights for  
24 aligning participative pricing mechanisms with managerial strategies. That is, we advise  
25 managers to be aware of trade-offs: PWYW can increase satisfaction with pricing and reduce  
26 the pain of payment, but customers may decide to pay less than they would have paid  
27 otherwise.  
28  
29  
30  
31  
32  
33

34 Participative pricing mechanisms have been shown to initiate word-of-mouth  
35 recommendations (Kim et al., 2009) and to promote products to broader audiences (Krämer  
36 et al., 2017). We argue that PWYW can be a powerful short-term promotional strategy for  
37 increasing market penetration audiences (Krämer et al., 2017), enhancing shopping  
38 experiences by increasing pricing satisfaction and reducing pain of payment. PWYW might be  
39 used to attract customers on days of reduced demand, to promote certain products, or to  
40 highlight single-day promotions such as Black Friday and store anniversaries. A *Harvard*  
41 *Business Review* (2012) case showed that when a self-service restaurant in Vienna used  
42 PWYW, it increased its daily customer base by 50%.  
43  
44  
45  
46  
47  
48  
49

50 PWYW can replace posted prices as a vital strategy for launching new products or  
51 services. When consumers have good shopping experiences leaving them satisfied with pricing  
52 and feeling less pain of payment, they are likely to spread positive word about new products  
53 and services. Businesses might use PWYW to anticipate demand for products or services, to  
54 attract customers during periods of reduced demand, and to optimize service offers to  
55 increase profits. Although customers may pay less under PWYW, the *Harvard Business Review*  
56  
57  
58  
59  
60

1  
2  
3  
4 (2012) presented a case in which a self-service restaurant that used PWYW received an  
5 average payment of €5, covering all costs.  
6  
7

8 Companies should use participative pricing when they have high fixed and low variable  
9 costs (Krämer et al., 2017). When variable costs are not very low, companies could use NYOP  
10 rather than PWYW, because consumers may pay more for goods and services under NYOP  
11 than they pay under PWYW. But if companies decide to use PWYW, they might draw more  
12 revenue by adding an ERP to PWYW offers. Our studies showed that ERPs increase the amount  
13 consumers intend to pay, but they still offer considerably less than the ERP amount (NYOP =  
14 US\$83.44, PWYW = US\$55.40, ERP = US\$116.00). Consumer behavior depends on other  
15 factors such as type of business or product and ERP presentation type (Gross et al., 2021),  
16 which may explain inconsistent results found for ERP on previous studies (e.g., Roy et al., 2021;  
17 Weisstein et al., 2016). Thus, our results should be carefully interpreted. Our suggestions  
18 might be more suitable to the business and ERP presentation strategies we used in our studies.  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

### 30 5.3 Limitations and Future Research 31 32 33

34 Our work has some limitations that should be considered. First, lab experiments  
35 indicate behavioral intentions only, but actual behaviors may change in real-life situations.  
36 Therefore, field studies should be conducted to replicate our findings. Second, the US\$116  
37 posted price was derived from a pretest, but average prices for band concerts vary widely. We  
38 asked participants to imagine their favorite band, without stipulating whether it should be  
39 internationally or locally popular. However, tickets will cost much more for internationally  
40 renowned bands. Future studies could be more specific about products or services to tighten  
41 price ranges.  
42  
43  
44  
45  
46  
47

48 Our study context may limit generalizability. Loyalty is known to be directly related to  
49 price decisions (Gómez et al., 2018). Thus, study participants who were highly involved with  
50 and loyal to their favorite bands may have been willing to pay more. Therefore, future studies  
51 should control for the impact of loyalty. Also, participative pricing mechanisms could be  
52 compared for effects under different circumstances, such as when used for temporary  
53 promotions. Other mediators could be investigated as antecedents.  
54  
55  
56  
57  
58  
59  
60

1  
2  
3  
4 Finally, NYOP researchers have investigated effects on consumer behavior if  
5 consumers can make multiple bids for products or services (e.g., Fay, 2004; Spann et al., 2004).  
6 Our experimental designs allowed participants to make only one bid, but future NYOP studies  
7 might allow participants to make alternative offers if their bids are rejected.  
8  
9  
10  
11  
12

### 13 References

- 14  
15  
16  
17 Barone, M. J., Bae, T. J., Qian, S., & d'Mello, J. (2017). Power and the appeal of the deal: how  
18 consumers value the control provided by Pay What You Want (PWYW) pricing.  
19 *Marketing Letters*, 28(3), 437-447. <https://doi.org/10.1007/s11002-017-9425-6>  
20  
21 Bolkan, S., Goodboy, A. K., Daly, J. A. (2010). Consumer satisfaction and repatronage intentions  
22 following a business failure: The importance of perceived control with an organizational  
23 complaint. *Communication Reports*, 23(1), 14–25.  
24 <https://doi.org/10.1080/08934211003598767>  
25  
26 Briesch, R. A., Krishnamurthi, L., Mazumdar, T., & Raj, S. P. (1997). A comparative analysis of  
27 reference price models. *Journal of Consumer Research*, 24(2), 202-214.  
28 <https://doi.org/10.1086/209505>  
29  
30 Burger, J. M. (1989). Negative Reactions to Increases in Perceived Personal Control. *Journal of*  
31 *Personality and Social Psychology*, 56, 246–256. [https://doi.org/10.1037/0022-](https://doi.org/10.1037/0022-3514.56.2.246)  
32 3514.56.2.246  
33  
34 Chandran, S., Morwitz, V. G. (2005). Effects of Participative Pricing on Consumers' Cognitions  
35 and Actions: A Goal Theoretic Perspective. *Journal of Consumer Research*, 32, 249–259.  
36 <https://doi.org/10.1086/432234>  
37  
38 Chang, Y., Wang, Y., Mei, S., Yi, W., & Zheng, Y. (2020). Blunted neural effects of perceived  
39 control on reward feedback in major depressive disorder. *Journal of Affective Disorders*,  
40 276, 112-118. <https://doi.org/10.1016/j.jad.2020.06.071>  
41  
42 Chao, Y., Fernandez, J., Nahata, B. (2015). Pay-what-you-want pricing: Can it be profitable?  
43 *Journal of Behavioral and Experimental Economics*, 57, 176-185.  
44 <https://doi.org/10.1016/j.socec.2014.09.004>  
45  
46 Chatterjee, P., & Rose, R. L. (2012). Do payment mechanisms change the way consumers  
47 perceive products?. *Journal of Consumer Research*, 38(6), 1129-1139.  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

<https://doi.org/10.1086/661730>

Dahana, W. D., Miwa, Y., Baumann, C., & Morisada, M. (2020). Relative importance of motivation, store patronage, and marketing efforts in driving cross-buying behaviors.

*Journal of Strategic Marketing*, 1-29. <https://doi.org/10.1080/0965254X.2020.1811997>

Faul, F., Erdfelder, E., Lang, A. G., & Buchner, A. (2007). G\* Power 3: A flexible statistical power analysis program for the social, behavioral, and biomedical sciences. *Behavior Research Methods*, 39(2), 175-191. <https://doi.org/10.3758/BF03193146>

Fay, S. (2009). Competitive reasons for the Name-Your-Own-Price channel. *Marketing Letters*, 20, 277–293. <https://doi.org/10.1007/s11002-009-9070-9>

Fay, S. (2004). Partial-Repeat-Bidding in the Name-Your-Own-Price Channel. *Marketing Science*, 23, 407–418. <https://doi.org/10.1287/mksc.1040.0062>

Fay, S., & Laran, J. (2009). Implications of Expected Changes in the Seller's Price in Name-Your-Own-Price Auctions. *Management Science*, 55, 1783–1796. <https://doi.org/10.1287/mnsc.1090.1064>

Fay, S., & Lee, S. H. S. (2015). The role of customer expectations in name-your-own-price markets. *Journal of Business Research*, 68, 675–683. <https://doi.org/10.1016/j.jbusres.2014.08.004>

Fay, S., & Zeithammer, R. (2017). Bidding for Bidders ? How the Format for Soliciting Supplier Participation in NYOP Auctions Impacts Channel Profit. *Management Science*, 63, 4324–4344. <https://doi.org/10.1287/mnsc.2016.2556>

Gerpott, T. J. (2017). Pay-What-You-Want pricing: An integrative review of the empirical research literature. *Management Science Letters*, 7, 35–62. <https://doi.org/10.5267/j.msl.2016.11.004>

Gómez, M., Martín-Consuegra, D., Díaz, E., & Molina, A. (2018). Determinants and outcomes of price premium and loyalty: A food case study. *Journal of Consumer Behaviour*, 17(1), 64-74. <https://doi.org/10.1002/cb.1692>

Gross, H. P., Rottler, M., & Wallmeier, F. (2021). The influence of external reference price strategies in a nonprofit arts organization's "pay-what-you-want" setting. *International Journal of Nonprofit and Voluntary Sector Marketing*, 26(1), e1681. <https://doi.org/10.1002/nvsm.1681>

Guo, L., Lotz, S. L., Tang, C., & Gruen, T. W. (2016). The Role of Perceived Control in Customer

- 1  
2  
3  
4 Value Cocreation and Service Recovery Evaluation. *Journal of Service Research*, 19, 39–  
5 56. <https://doi.org/10.1177/1094670515597213>  
6  
7  
8 Harvard Business Review (2012). *When the Rule Is "Pay What You Want," Almost Everyone*  
9 *Pays Something*. Retrieved March 5th, 2021 from [https://hbr.org/2012/10/when-the-](https://hbr.org/2012/10/when-the-rule-is-pay-what-you-want-almost-everyone-pays-something)  
10 [rule-is-pay-what-you-want-almost-everyone-pays-something](https://hbr.org/2012/10/when-the-rule-is-pay-what-you-want-almost-everyone-pays-something).  
11  
12  
13 Hinz, O., Hann, I.-H., Spann, M., & Smith, R. H. (2011). Price Discrimination in E-Commerce?  
14 An Examination of Dynamic Pricing in Name-Your- Price Discrimination in E-Commerce.  
15 *Mis Quarterly*, 35, 81–98. DOI: 10.2307/23043490  
16  
17  
18 Huang, W. H. (2016). How consumers respond to missing a quantity discount with multiple  
19 price breaks. *Journal of Consumer Behaviour*, 15, 411-419.  
20 <https://doi.org/10.1002/cb.1577>  
21  
22  
23 Hui, M. K., & Bateson, J. E. G. (1991). Perceived Control and the Effects of Crowding and  
24 Consumer Choice on the Service Experience. *Journal of Consumer Research*, 18, 174–  
25 184. <https://doi.org/10.1086/209250>  
26  
27  
28 Isaac, R. M., Lightle, J. P., & Norton, D. A. (2015). The pay-what-you-want business model:  
29 Warm glow revenues and endogenous price discrimination. *Journal of Behavioral and*  
30 *Experimental Economics*, 57, 215-223. <https://doi.org/10.1016/j.socec.2015.02.003>  
31  
32  
33 Johnson, J. W., & Cui, A. P. (2013). To influence or not to influence: External reference price  
34 strategies in pay-what-you-want pricing. *Journal of Business Research*, 66, 275-281  
35 <https://doi.org/10.1016/j.jbusres.2012.09.015>  
36  
37  
38 Kalyanaram, G., & Winer, R. S. (1995). Empirical generalizations from reference price research.  
39 *Marketing science*, 14(3), 161-169. <https://doi.org/10.1287/mksc.14.3.G161>  
40  
41  
42 Kim, J. Y., Kaufmann, K., & Stegemann, M. (2014). The impact of buyer–seller relationships and  
43 reference prices on the effectiveness of the pay what you want pricing mechanism.  
44 *Marketing Letters*, 25(4), 409-423.  
45  
46  
47 Kim, J. Y., Natter, M., & Spann, M. (2009). Pay what you want: A new participative pricing  
48 mechanism. *Journal of Marketing*, 73, 44-58. <https://doi.org/10.1509/jmkg.73.1.44>  
49  
50  
51 Knutson, B., Rick, S., Wimmer, G. E., Prelec, D., & Loewenstein, G. (2007). Neural predictors of  
52 purchases. *Neuron*, 53, 147-156. <https://doi.org/10.1016/j.neuron.2006.11.010>  
53  
54  
55 Konuk, F. A. (2018). Price fairness, satisfaction, and trust as antecedents of purchase  
56 intentions towards organic food. *Journal of Consumer Behaviour*, 17, 141-148.  
57  
58  
59  
60



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

<https://doi.org/10.1002/cb.1697>

- Krämer, F., Schmidt, K. M., Spann, M., & Stich, L. (2017). Delegating pricing power to customers: Pay what you want or name your own price? *Journal of Economic Behavior & Organization*, 136, 125-140. <https://doi.org/10.1016/j.jebo.2017.01.019>
- Mills, J., & Law, R. (2001). Priceline.com-Exploring the "Name Your Own Price" Model. *Journal of Travel & Tourism Marketing*, 11, 97-102. <https://doi.org/10.1300/J073v11n04>
- Namasivayam, K., & Guchait, P. (2013). The role of contingent self-esteem and trust in consumer satisfaction: Examining perceived control and fairness as predictors. *International Journal of Hospitality Management*, 33, 184-195. <https://doi.org/10.1016/j.ijhm.2012.08.002>
- Narwal, P., & Nayak, J. K. (2019). How consumers respond to social norms: an evidence from pay-what-you-want (PWYW) pricing. *Journal of Consumer Marketing*, 36(4), 494-505. <https://doi.org/10.1108/JCM-05-2018-2677>
- Oliver, R. L. (1977). Effect of expectation and disconfirmation on postexposure product evaluations: An alternative interpretation. *Journal of Applied Psychology*, 62(4), 480-486. <https://doi.org/10.1037/0021-9010.62.4.480>
- Pacheco, N. A., Lunardo, R., & Santos, C. P. D. (2013). A perceived-control based model to understanding the effects of co-production on satisfaction. *BAR-Brazilian Administration Review*, 10(2), 219-238. <https://doi.org/10.1590/S1807-76922013000200007>
- Preacher, K. J., & Hayes, A. F. (2004). SPSS and SAS procedures for estimating indirect effects in simple mediation models. *Behavior research methods, instruments, & computers*, 36(4), 717-731. <https://doi.org/10.3758/BF03206553>
- Prelec, D., & Loewenstein, G. (1998). The red and the black: Mental accounting of savings and debt. *Marketing Science*, 17(1), 4-28. <https://doi.org/10.1287/mksc.17.1.4>
- Roy, R., [Rabbanee, F.K.](#) and Sharma, P. (2016). Antecedents, outcomes, and mediating role of internal reference prices in pay-what-you-want (PWYW) pricing. *Marketing Intelligence & Planning*, 34(1), 117-136. <https://doi.org/10.1108/MIP-08-2015-0157>
- Roy, R., Sharma, P., Chan, R. Y., & Potdar, V. (2021). Exploring the role of spotlight effect in pay-what-you-want (PWYW) pricing—An anchoring and adjustment perspective. *Psychology & Marketing*, 38(5), 866-880. <https://doi.org/10.1002/mar.21474>
- Schons, L. M., Rese, M., Wieseke, J., Rasmussen, W., Weber, D., & Strotmann, W. C. (2014).

1  
2  
3  
4 There is nothing permanent except change—analyzing individual price dynamics in "pay-  
5 what-you-want" situations. *Marketing Letters*, 25(1), 25-36.  
6  
7 <https://doi.org/10.1007/s11002-013-9237-2>  
8  
9

10 Scott, B. G., & Weems, C. F. (2010). Patterns of actual and perceived control: are control  
11 profiles differentially related to internalizing and externalizing problems in youth?.  
12 *Anxiety, Stress, & Coping*, 23(5), 515-528. <https://doi.org/10.1080/10615801003611479>  
13  
14

15 Skinner, E. A. (1996). A guide to constructs of control. *Journal of Personality and Social*  
16 *Psychology*, 71(3), 549–570. <https://doi.org/10.1037/0022-3514.71.3.549>  
17  
18

19 Soman, D. (2001). Effects of payment mechanism on spending behavior: The role of rehearsal  
20 and immediacy of payments. *Journal of Consumer Research*, 27(4), 460-474.  
21 <https://doi.org/10.1086/319621>  
22  
23

24 Song, H., & Jiang, Y. (2018). Consumers' Bayesian learning under Knightian uncertainty: An  
25 eye-tracking analysis. *Journal of Consumer Behaviour*, 17(6), 569-584.  
26  
27

28 Soster, R. L., Gershoff, A. D., & Bearden, W. O. (2014). The bottom dollar effect: the influence  
29 of spending to zero on pain of payment and satisfaction. *Journal of Consumer Research*,  
30 41(3), 656-677. <https://doi.org/10.1086/677223>  
31  
32

33 Soule, C. A. A., & Madrigal, R. (2015). Anchors and norms in anonymous pay-what-you-want  
34 pricing contexts. *Journal of Behavioral and Experimental Economics*, 57, 167-175.  
35 <https://doi.org/10.1016/j.socec.2014.10.001>  
36  
37  
38

39 Spann, M., Skiera, B., & Schäfers, B. (2004). Measuring individual frictional costs and  
40 willingness-to-pay via name-your-own-price mechanisms. *Journal of Interactive*  
41 *Marketing*, 18(4), 22-36. <https://doi.org/10.1002/dir.20022>  
42  
43  
44

45 Spann, M., & Tellis, G. J. (2006). Does the internet promote better consumer decisions? The  
46 case of name-your-own-price auctions. *Journal of Marketing*, 70(1), 65-78.  
47 <https://doi.org/10.1509/jmkg.70.1.065.qxd>  
48  
49

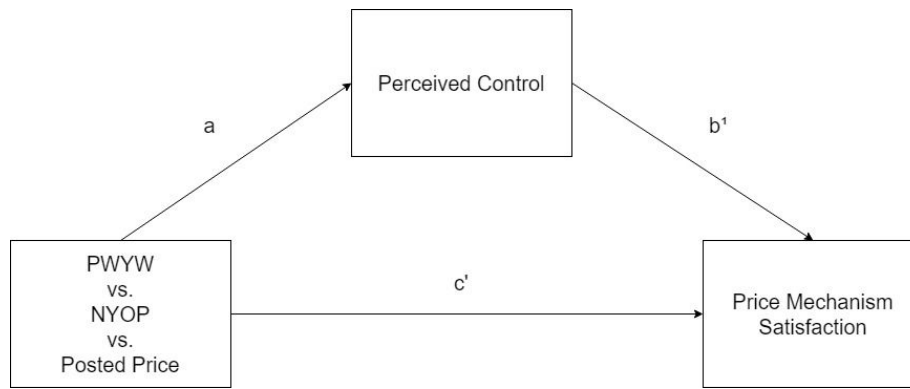
50 Spann, M., Zeithammer, R., Bertini, M., Haruvy, E., Jap, S. D., Koenigsberg, O., ... & Thomas,  
51 M. (2018). Beyond posted prices: the past, present, and future of participative pricing  
52 mechanisms. *Customer Needs and Solutions*, 5(1), 121-136.  
53 <https://doi.org/10.1007/s40547-017-0082-y>  
54  
55

56  
57 Spreng, R. A., MacKenzie, S. B., & Olshavsky, R. W. (1996). A reexamination of the  
58 determinants of consumer satisfaction. *Journal of Marketing*, 60(3), 15-32.  
59  
60

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

<https://doi.org/10.2307/1251839>

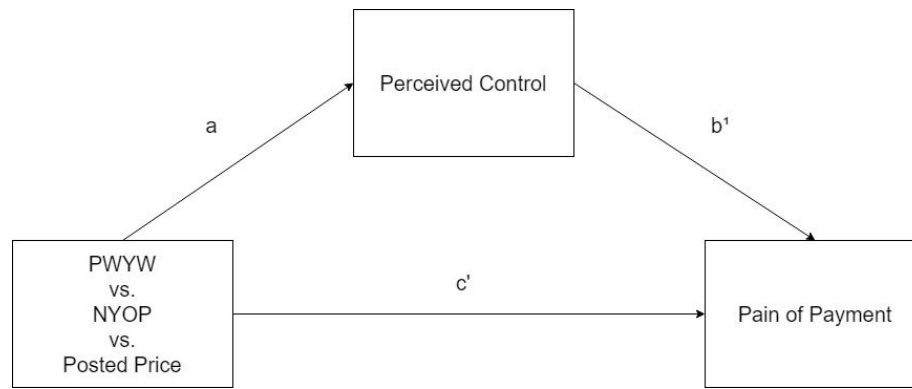
- Thomas, M., Desai, K. K., & Seenivasan, S. (2011). How credit card payments increase unhealthy food purchases: Visceral regulation of vices. *Journal of Consumer Research*, 38(1), 126-139. <https://doi.org/10.1086/657331>
- Tudón M., J. F. (2015). Pay-what-you-want because I do not know how much to charge you. *Economic Letters*, 137, 41–44. <https://doi.org/10.1016/j.econlet.2015.10.021>
- Uhrich, S. (2011). Explaining non-linear customer density effects on shoppers' emotions and behavioral intentions in a retail context: The mediating role of perceived control. *Journal of Retailing and Consumer Services*, 18(5), 405-413. <https://doi.org/10.1016/j.jretconser.2011.06.002>
- Van Rompay, T. J., Galetzka, M., Pruyn, A. T., & Garcia, J. M. (2008). Human and spatial dimensions of retail density: Revisiting the role of perceived control. *Psychology & Marketing*, 25(4), 319-335. <https://doi.org/10.1002/mar.20211>
- Wagner, R. L. (2019). Lowering consumers' price image without lowering their internal reference price: the role of pay-what-you want pricing mechanism. *Journal of Revenue and Pricing Management*, 18(1), 332-341. <https://doi.org/10.1057/s41272-018-00184-0>
- Wagner, R. L., & Pacheco, N. A. (2020). Name-your-own-price as participative pricing strategy: a review of the literature from 2001–2017. *Journal of Strategic Marketing*, 28(7), 583-600. <https://doi.org/10.1080/0965254X.2019.1569108>
- Wang, T., Gal-Or, E., & Chatterjee, R. (2009). The name-your-own-price channel in the travel industry: An analytical exploration. *Management Science*, 55(6), 968-979. <https://doi.org/10.1287/mnsc.1090.1007>
- Weisstein, F. L., Kukar-Kinney, M., & Monroe, K. B. (2016). Determinants of consumers' response to pay-what-you-want pricing strategy on the Internet. *Journal of Business Research*, 69(10), 4313-4320.
- Wen, C., Prybutok, V. R., & Xu, C. (2011). An integrated model for customer online repurchase intention. *Journal of Computer Information Systems*, 52(1), 14-23. <https://doi.org/10.1080/08874417.2011.11645518>



	a (direct effect)			c' (direct effect)			ab (indirect effect)		
	Effect	Boot LLCI	Boot ULCI	Effect	Boot LLCI	Boot ULCI	Effect	Boot LLCI	Boot ULCI
PWYW vs. NYOP	-0.6194*	-1.0438	-0.1951	-.3986*	-.7731	-.0240	-.4840*	-.8473	-.1824
PWYW vs. Posted Price	-1.6952*	-2.1266	-1.2638	-.5917*	-1.0413	-.1421	-1.3247*	-1.8424	-.8709
NYOP vs. Posted Price	-1.0758*	-1.4947	-0.6569	-.1931	-.5865	.2004	-.8406*	-1.2667	-.4501

Note: b' = Effect = 0.7814\*; Boot = 0.6296 to 0.9333

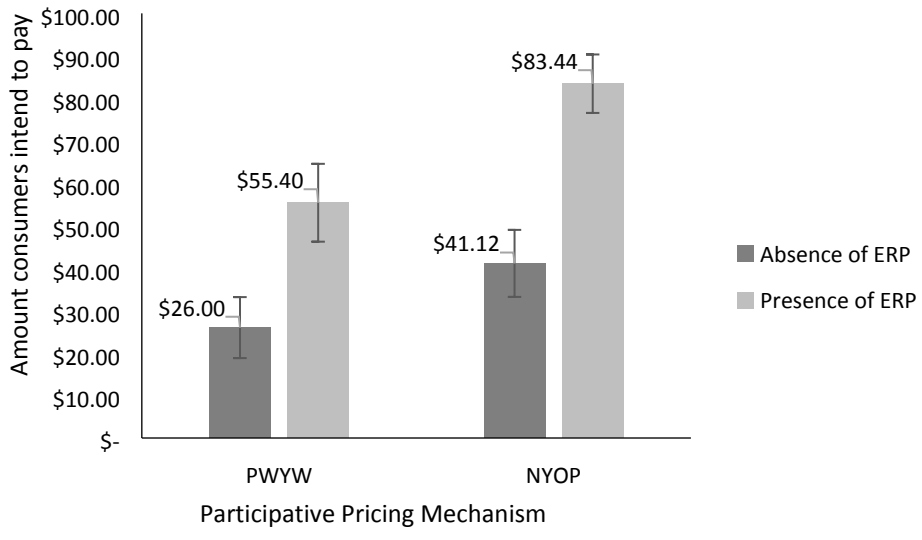
\* = significant at the 0.05 level.



	a (direct effect)			c' (direct effect)			ab (indirect effect)		
	Effect	Boot LLCI	Boot ULCI	Effect	Boot LLCI	Boot ULCI	Effect	Boot LLCI	Boot ULCI
PWYW vs. NYOP	-0.6194*	-1.0438	-0.1951	.1315	-0.2650	.5281	.3133*	.3133*	.3133*
PWYW vs. Posted Price	-1.6952*	-2.1266	-1.2638	.6005*	.1245	1.0765	.8574*	.8574*	.8574*
NYOP vs. Posted Price	-1.0758*	-1.4947	-0.6569	.4690*	.0524	.8856	.5441*	.5441*	.5441*

Note: b' = Effect = -0.5058\*; Boot = -0.6665 to -0.3450

\* = significant at the 0.05 level.

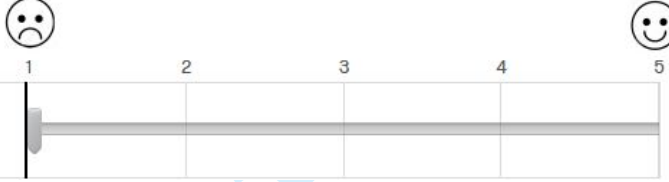


Note: Error bars represent 95% Confidence Intervals.

For Peer Review

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

## Appendix 1 – Measures

Variable	Items	Study 1 ( $\alpha$ )	Study 2 ( $\alpha$ )
<b>Pricing satisfaction</b> (Wen et al., 2011)	<p>A pricing policy is the way companies set the price for consumers to pay. Based on the pricing policy of the website, please indicate your agreements with the statements below, on a scale of 1=totally disagree to 5=totally agree.</p> <p><b>S1.</b> I was very satisfied with this pricing policy.  <b>S2.</b> I was very pleased with this pricing policy.  <b>S3.</b> I was very contented with this pricing policy.  <b>S4.</b> I was absolutely delighted with this pricing policy.</p>	.977	.964
<b>Pain of payment</b> (Thomas et al., 2011)	<p><b>PP1.</b> How did you feel while spending money on this ticket of [Band Name]? (OBS: Reverse coded).</p>  <p><b>PP2.</b> I felt irritated by this pricing method.  <b>PP3.</b> I felt restricted by this pricing method.  <b>PP4.</b> I felt annoyed by this pricing method.  <b>PP5.</b> I felt powerless with this pricing method.  <b>PP6.</b> I felt controlled by this pricing method.  <b>PP7.</b> I felt suffocated with this pricing method.  <b>PP8.</b> I felt inhibited with this pricing method.</p>	.943	.913
<b>Perceived control</b> (Van Rompay et al., 2008)	<p><b>PC1.</b> On this website, I feel in control over the situation.  <b>PC2.</b> On this website, I can easily find what I am looking for.  <b>PC3.</b> On this website, I am the center of attention.  <b>PC4.</b> On this website, the customer is in control.</p>	.925	.868
<b>Amount of money consumers intend to pay</b>	<p>How much would you like to pay for the ticket, in US dollars?</p>		-