

“THE PRICE IS UP TO YOU!” – “OH NO! WHAT AM I GONNA DO?” CUSTOMERS’ PRODUCT CATEGORY INEXPERIENCE AND BELIEF ABOUT OTHER CUSTOMERS’ PAYMENTS UNDER PAY-WHAT-YOU-WANT CONDITIONS

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ABSTRACT

Our purpose is to identify two new variables which may influence customer-determined prices in Pay-What-You-Want paying environments: A customer’s product category experience (which moderates the influence of external reference prices on customer-determined prices) and the customer’s belief about other customers’ payments. We conduct a laboratory experiment with real payments in the product category of wildlife park and find that inexperienced customers are influenced by the regular price, since they choose a significantly lower Pay-What-You-Want price. Experienced customers are not influenced by this external reference price. Hence, the less experienced (potential) customers are, the more they rely on external stimuli, and the more external reference prices should be omitted in order to make Pay-What-You-Want pricing a profitable strategy. Moreover, we find a linkage between the Pay-What-You-Want price paid and the customer’s belief about the other customers’ PWYW payments.

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