

Pay-what-you-want choices appear to be linked to self image

April 24 2012, by Bob Yirka

(Phys.org) -- Panera, the national restaurant chain most famous for its bread, has been in the news of late because they've decided to test the concept of allowing customers to pay whatever they want for bread, sandwiches and salads. The concept has proved so successful that Panera plans to open more restaurants that do likewise. To find out why such an idea might work, a group of researchers put together several field experiments to test their belief that the amount people pay for a pay-what-you-want (PWYW) opportunity, likely depends on their desire to boost their own self image. They have published a paper documenting their findings in *Proceedings of the National Academy of Sciences*.

In the first experiment riders at an amusement park were given the opportunity to buy pictures of themselves on the ride and were told they could pay whatever they wanted. Some were also told that half the proceeds would go to a charity; in those cases customers quite often paid more than those that weren't told about the charity, though the number of sales were lower.

In a second experiment, some customers on boat rides were asked to pay \$15, some \$5 and the others whatever they wanted, for pictures of themselves. Not surprisingly, the \$15 group had few takers, while the \$5 option proved popular, even more so than the PWYW option, as more chose to pass on the photos altogether when given the opportunity to pay whatever they liked.

In the third experiment, diners at a restaurant were asked to pay

whatever price they chose for their meal, but were split into two groups. One group paid the owner of the restaurant directly, while the other group was allowed to pay privately by dropping an envelope into a box. Surprisingly, the group that was able to pay anomalously generally paid more than did those that paid the owner directly.

The researchers say taken as a whole, these experiments show that people are motivated by several factors when presented with a PWYW opportunity; the most basic of which, is the desire to uphold their opinion of themselves. Giving more than is necessary in an anonymous way causes people to feel good about themselves. On the other hand, the offer is less appealing when being asked to pay in view of others, such as fellow patrons or the owner of a restaurant. In such a scenario, people feel forced into paying a certain price. They also shy away from opportunities when they feel pressured to buy at a price that is too high, hence those that choose to not buy at all, even when allowed to pay whatever they wanted.

More information: Pay-what-you-want, identity, and self-signaling in markets, *PNAS*, Published online before print April 23, 2012, [doi: 10.1073/pnas.1120893109](https://doi.org/10.1073/pnas.1120893109)

Abstract

We investigate the role of identity and self-image consideration under “pay-what-you-want” pricing. Results from three field experiments show that often, when granted the opportunity to name the price of a product, fewer consumers choose to buy it than when the price is fixed and low. We show that this opt-out behavior is driven largely by individuals’ identity and self-image concerns; individuals feel bad when they pay less than the “appropriate” price, causing them to pass on the opportunity to purchase the product altogether.

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