Are You Really Paying What You Wish?: Interpersonal Influences on Price Decisions

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In general, consumers pay a lower price than the regular suggested price in the pay-what-you-wish pricing context. Importantly, however, impression motivation due to the presence of particular others makes consumers pay more than they would normally pay, primarily due to increased prestige sensitivity, unless social cues indicate that paying a lower price is acceptable.

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**EXTENDED ABSTRACT**

Although pay-what-you-wish pricing is increasingly being adopted in the market place, little is known about how consumers make price decisions in the context of these schemes. This is surprising, because such pricing schemes may hold significant cost advantages for consumers and sales and margin implications for firms, who expect to trade-off margin for volume. Because pay-what-you-wish pricing enables the consumer to choose the price paid and this often occurs in social situations, consumers’ choice of how much to pay can become a socially embedded decision where the role of other consumers becomes crucial. Yet, no previous research has focused on possible social influences on consumers’ price decisions in this context. The current research examines this issue. Two experiments indicate that people do take advantage of pay-what-you-wish pricing opportunities by paying a lower price than the regular suggested price, but in unexpected ways that reflect the social embeddedness of the decision. When people are motivated to make a good impression on certain others, they offer a higher price than what they could pay, primarily due to concerns about what price signals to others about their prestige, unless strong social cues are present indicating that paying a lower price is acceptable.

In the context of pay-what-you-wish pricing, consumers are provided with the unusual chance to choose their own prices. Thus, individuals should be highly motivated to save money on the product purchase by offering a low price. Marketers adopting a pay-what-you-wish pricing scheme often provide a price guideline indicating the regular price of the product. We hypothesize that the price that consumers offer will often be lower than the reference price based on the regular market price, because consumers are motivated to take advantage of the chance to pay less in the pay-what-you-wish pricing context.

However, when individuals are shopping with another person on whom they wish to make a good impression, they will be more concerned about how the other person makes judgments about them based on the price they offer. Individuals then feel pressure to offer a higher price when they desire to be evaluated favorably by another person in the pay-what-you-wish shopping context.

We suggest that the positive effect of impression motivation on price paid is mediated primarily by prestige sensitivity. Consumers will favor high prices due to inferences about the prominence and status that higher prices signal to other people about them. It is also possible that consumers might become less price-conscious when they are motivated to make a good impression. Finding a low price and saving money might no longer be their primary goal to be achieved in the shopping situation when offering a lower price generates social costs of looking cheap or stingy.

If a social signal is present indicating that it is acceptable to offer a lower price, the social pressure to offer a higher price will be diminished. The other person’s self-presentation behaviors, verbal communications or personal possessions can signal whether or not the other person expects the focal individual to pay more. For example, how much the other person pays for his or her product can directly signal what the other person thinks is appropriate to do.

In study 1, we tested our predictions in a pay-what-you-wish pricing context. Participants were told that they were at an art museum either with an admired friend or with their best friend, and they were given a chance to pay as much as they wished for a ticket. Participants had to decide how much to pay either before the other person made a decision or after the other person paid a relatively low price. We found that people indeed generally paid a lower price than the regular suggested price. Also, an admired friend (vs. best friend) who stimulated impression motivation increased the price paid by participants, and the positive effect of impression motivation on price paid was mediated primarily by prestige sensitivity and, to a lesser extent, by price-consciousness. In addition, when an admired friend paid a price that was relatively low before participants had to make a decision about how much to pay, this decreased the pressure to pay a higher price.

In study 2, participants imagined that they were either with a date or their best friend when they decided to pay what they wished to pay for an art museum ticket. We used indirect social cues (i.e., lifestyle of the other person inferred from conversation) to signal what is desired by the other person (frugal vs. materialistic values). We also included a control condition in which participants were alone. We again found that participants paid a lower price than the regular price, but a materialistic date (vs. a materialistic best friend or frugal date) increased the price paid. The price paid in the presence of one’s best friend or a frugal date was not different from the price paid alone. The positive effect of impression motivation on price paid was mediated by prestige sensitivity.

The results of these two experiments suggest that people are likely to take advantage of pay-what-you-wish pricing opportunities by paying a lower price than the regular suggested price. As predicted, however, when people are concerned about making a favorable impression on another person who is present in the shopping situation, they pay a higher price than what they would have paid if they did not have to impress the other person or if they were alone. Also, the findings suggest that the positive effect of impression motivation on price paid is mediated primarily by prestige sensitivity and, to a lesser extent, by price-consciousness. Further, the findings suggest that if there are social cues indicating that it is appropriate to pay a lower price, the pressure to pay a higher price in the presence of the other person who motivates impression management is attenuated. This research adds to the literature examining interpersonal influences and the role of price in consumption decisions.

**REFERENCES**


