

# **Pay What You Want vs. Pay it Forward**

## **Field and Lab Experiments**

**Minah H. Jung & Leif D. Nelson**  
*University of California, Berkeley*

**Ayelet Gneezy & Uri Gneezy**  
*University of California, San Diego*



# Cards Against Humanity™

A free party game for horrible people.



RADIOHEAD

the Humble Bundle



## What influences how much people choose to pay?

- Pay more when feel that I owe something to the seller?
- Pay more when think my payment will say something about me?
- Pay what I think others are paying?

## Pay-it-Forward

Consumers choose how much to pay...But not for themselves, rather for *another person*

“A customer who came earlier has paid for the product. Now you have a chance to pay-it-forward to another customer who will come later.”



**Study I: Field Experiment**  
**Pay-what-you-want vs Pay-it-forward**



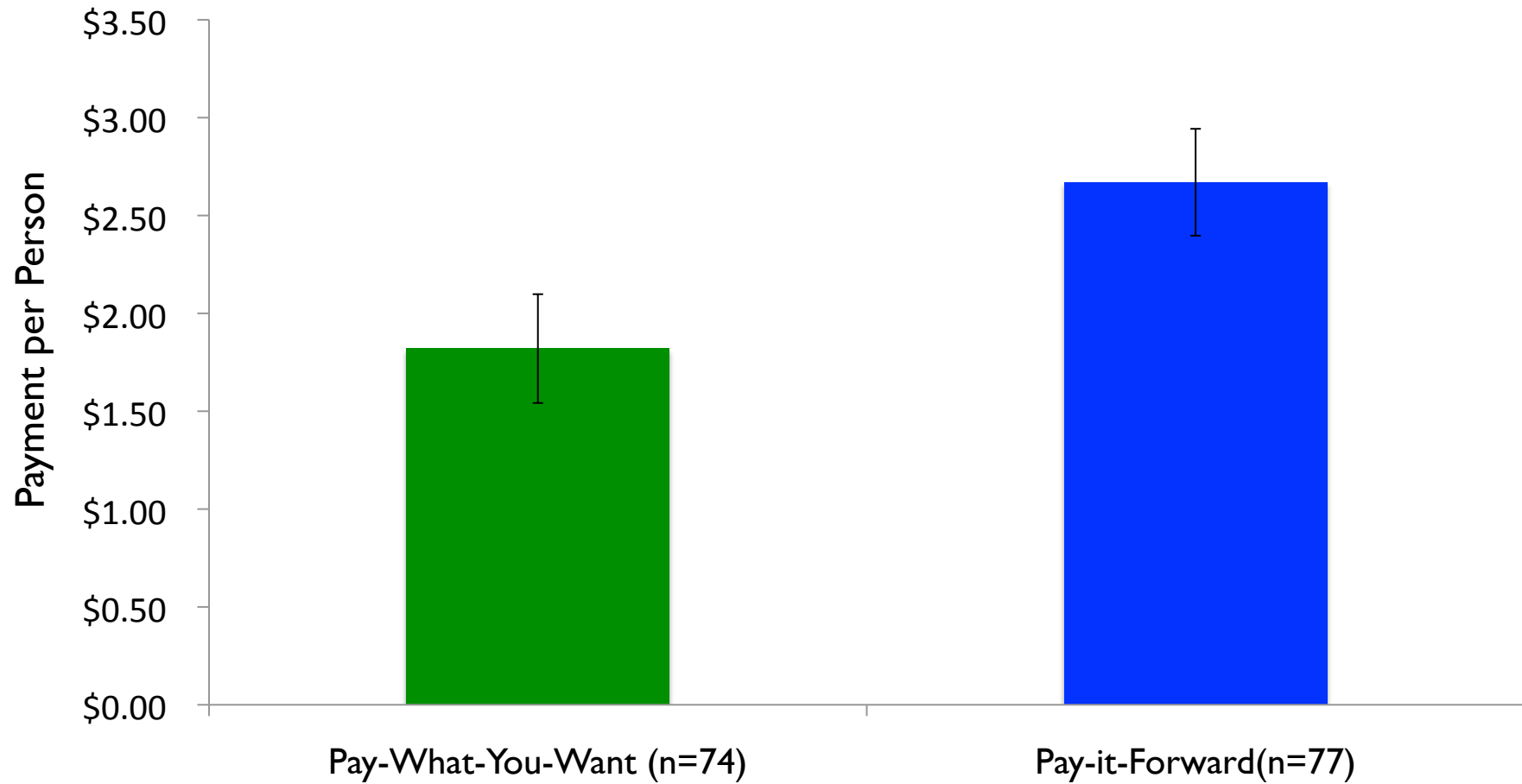


## **Pay-what-you-want:**

Today is a Pay What You Wish Day. You can pay what you want for your admission.

## **Pay-it-forward:**

Today is a Pay What You Wish Day. A visitor who came earlier paid for your admission. Since you are paid for, you now have a chance to pay forward the admission for another person who will come later today.





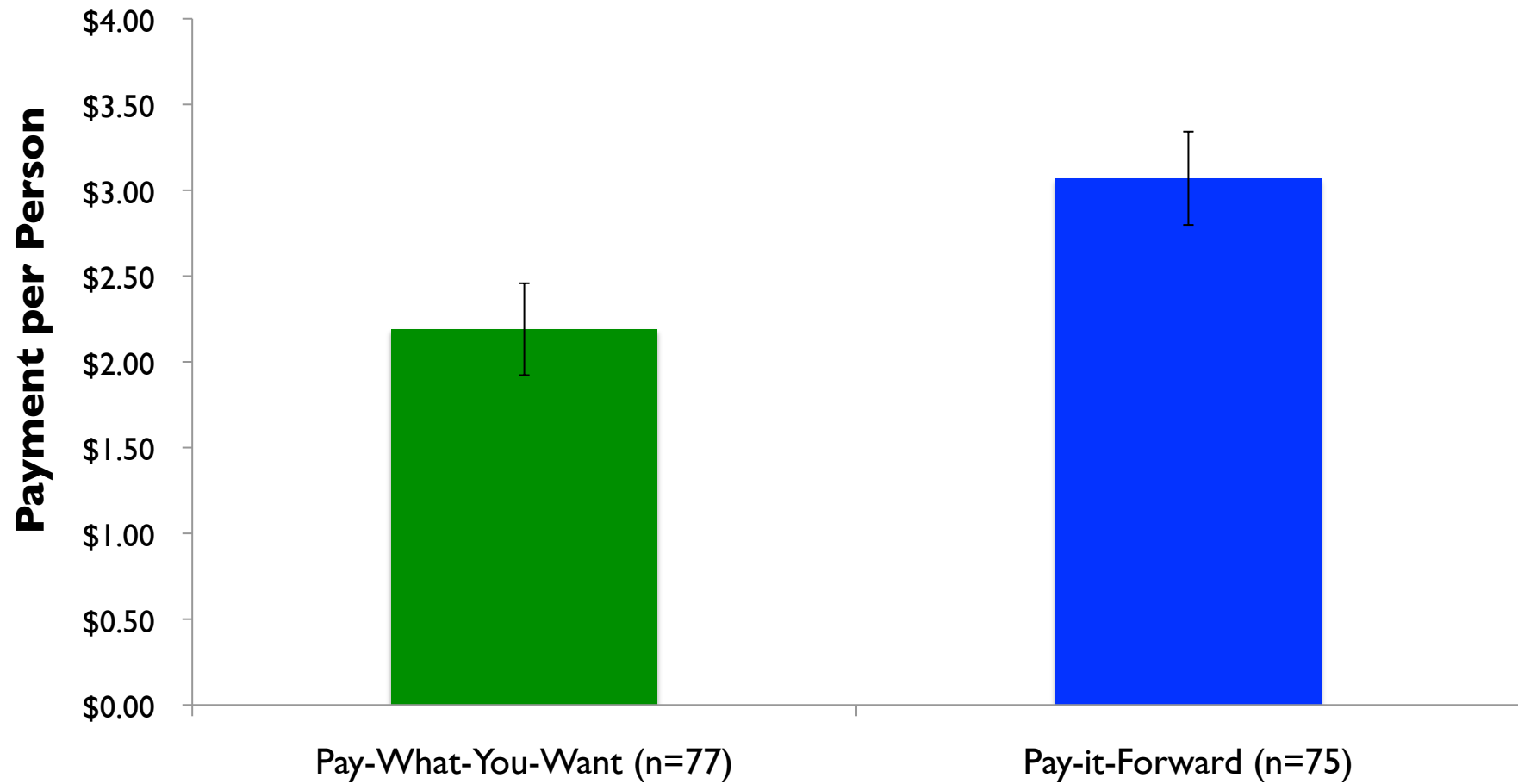
## Study 2: Field Experiment - Rephrasing & Replication

### **Pay-what-you-want:**

Today is a Pay-What-You-Wish Day so all visitors will be admitted regardless of how much they pay. Today, all visitors, including you, can pay any price they want for their own admission.

### **Pay-it-forward:**

Today is a Pay-What-You-Wish Day so all visitors will be admitted regardless of how much they pay. Today all visitors, including you, can pay any price they want for the admission of someone who comes later today. But your admission has already been paid for by someone who came earlier, and you have a chance to pay for someone else who will come later. How much do you want to pay?







## Study 3: Field Experiment - Replication & Cannibalization?

Do the visitors who pay-it-forward spend less money in the museum gift shop because they paid more for admission than the visitors who pay-what-they-want?







## **Tracking shopping behavior:**

Pay-what-you-want :



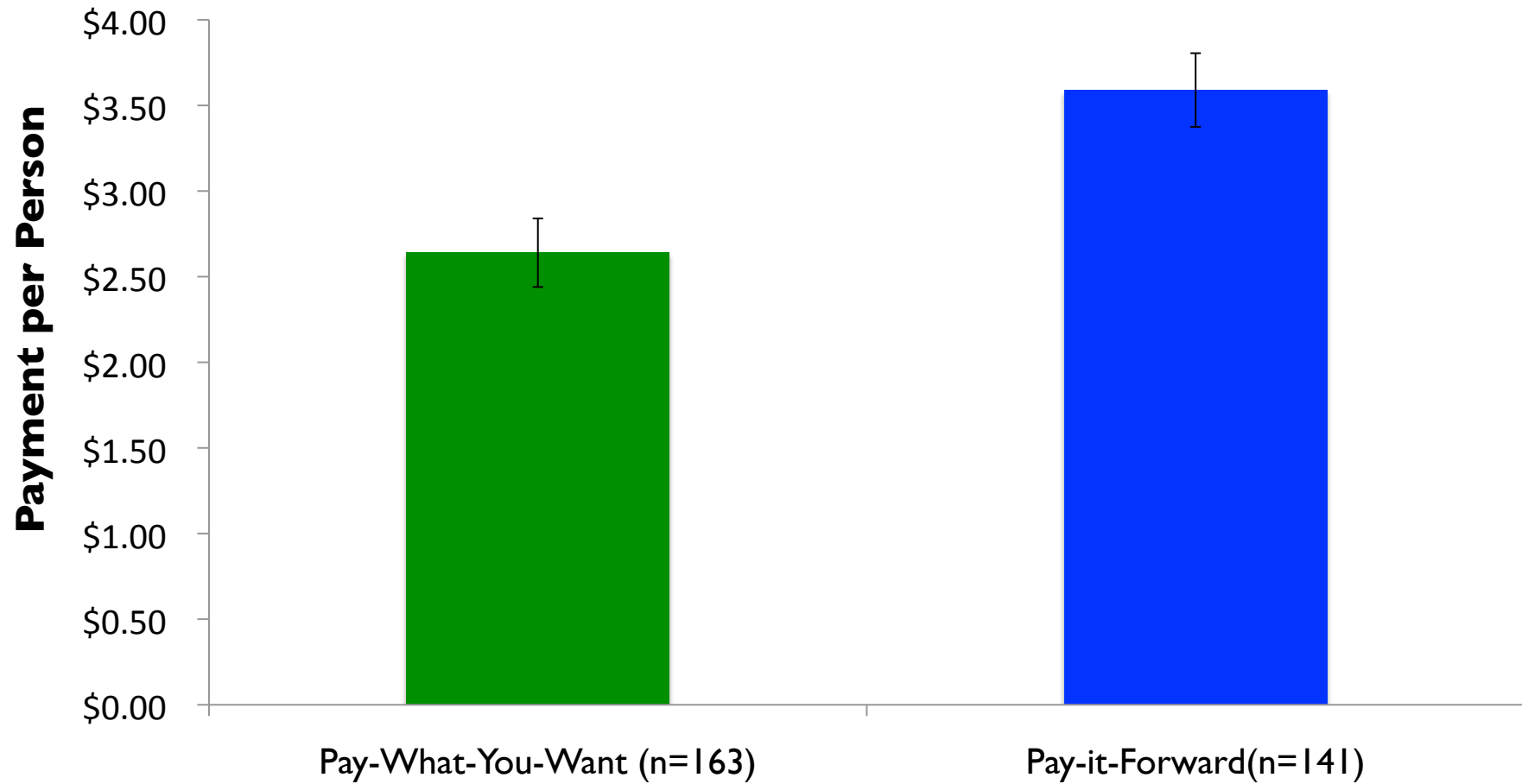
Pay-it-forward:



No sticker

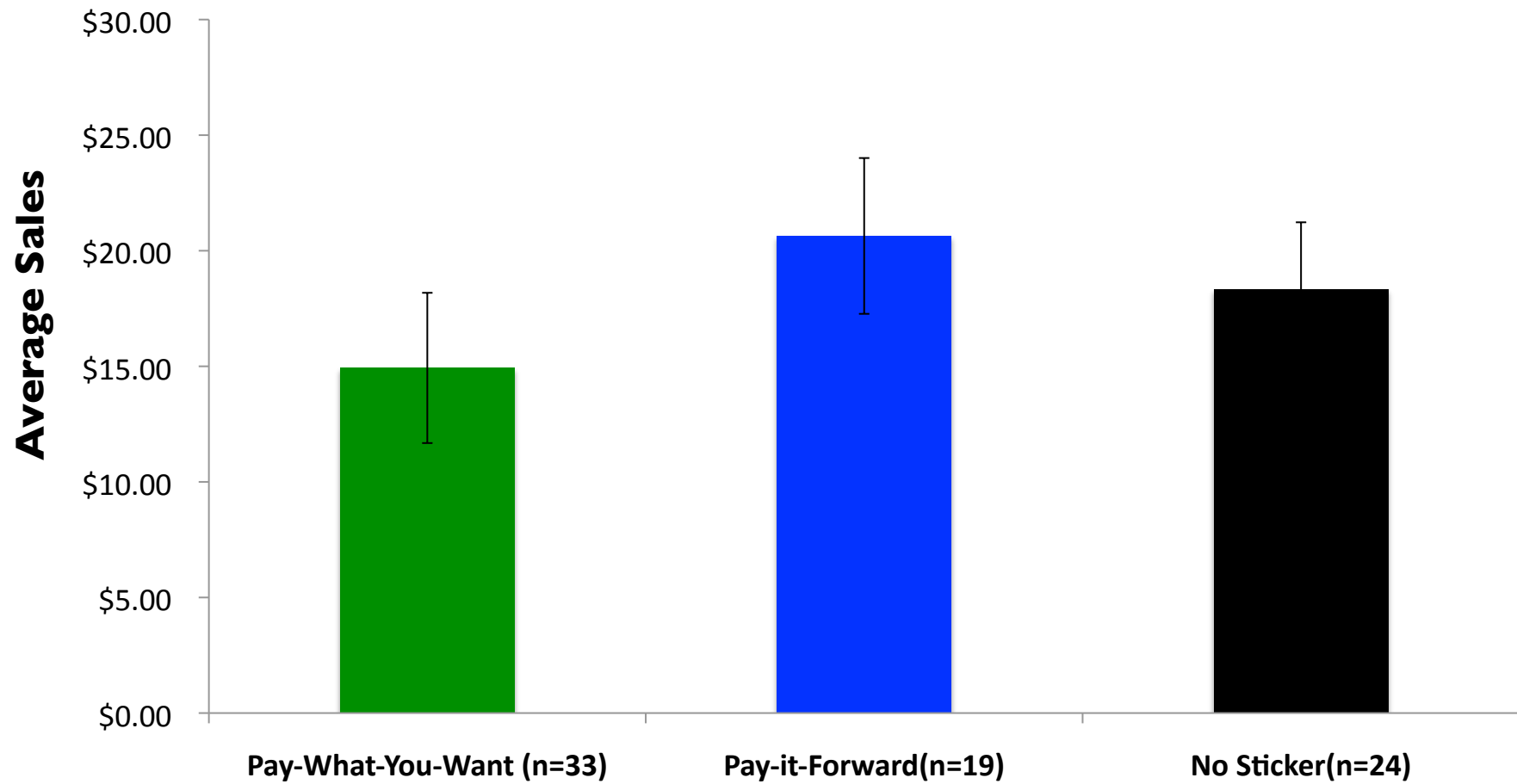


## Study 3: Field Experiment - Replication & Cannibalization?





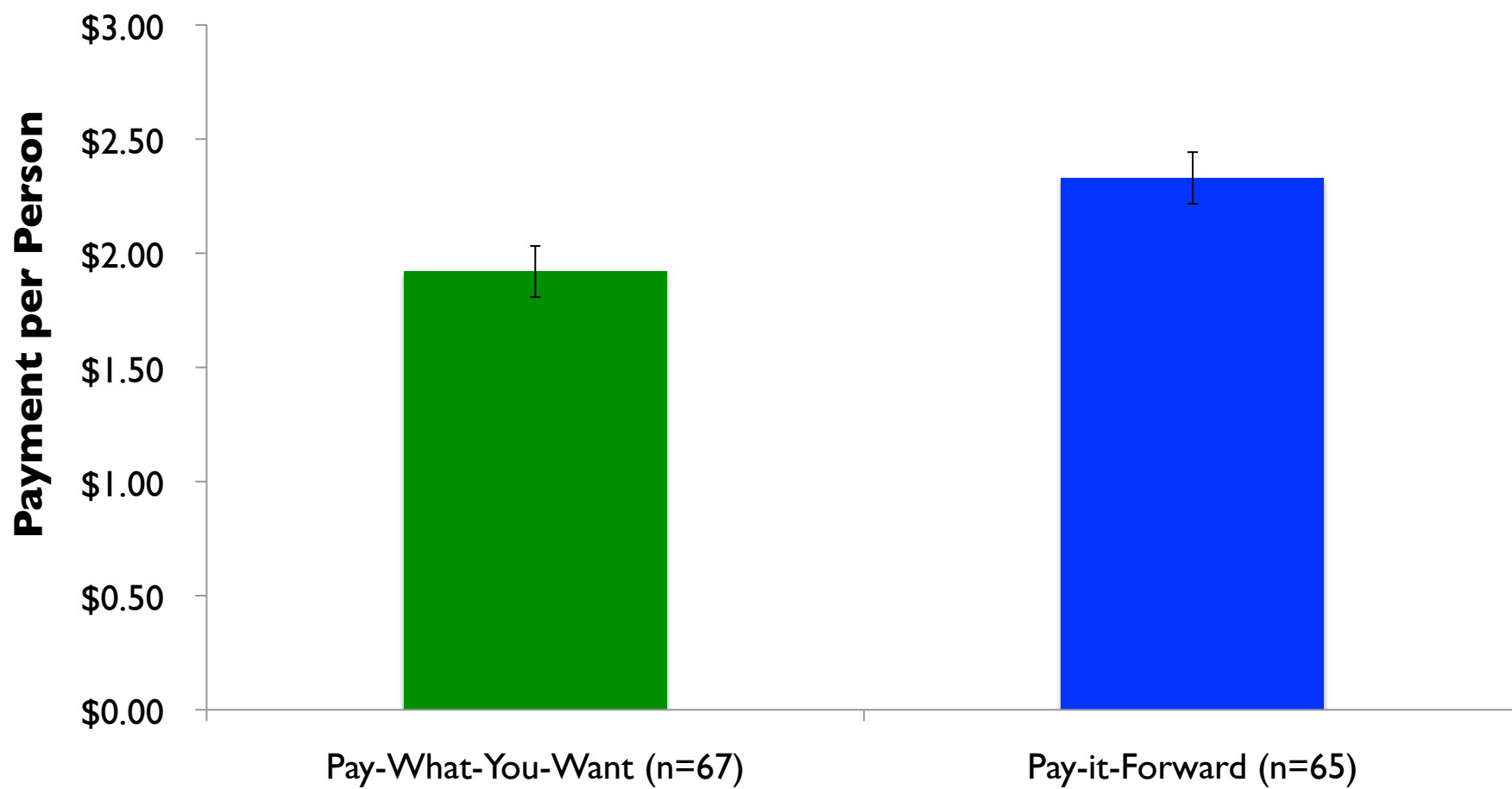
## Spending at the store





## Study 4: Field Experiment Replication in a for-profit setting





## Conclusion from field experiments

People pay more under pay-it-forward.

- Rephrasing
- Pay-it-forward did not impact the store sales
- Both non-profit and for-profit settings



## Three Lab Studies

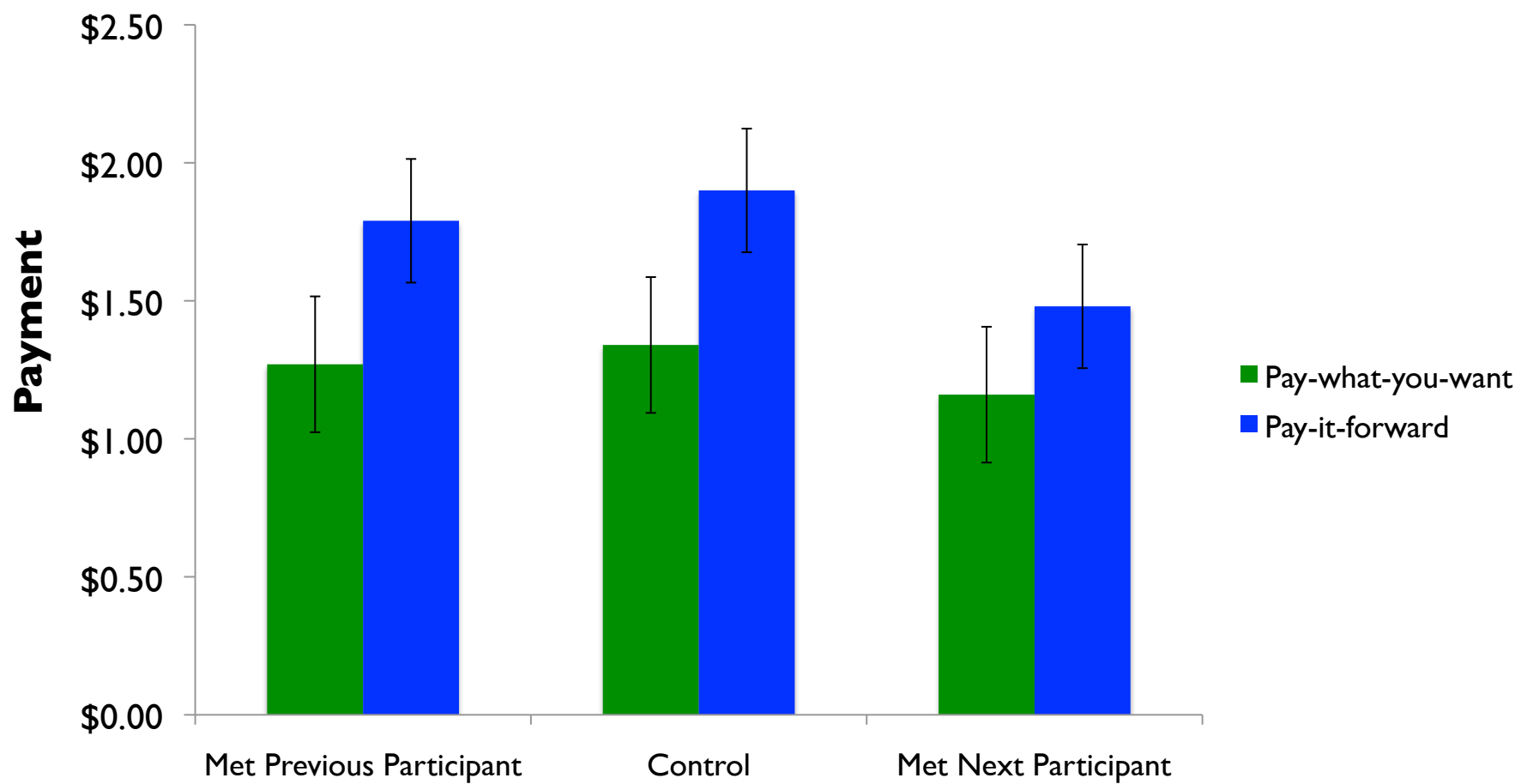
Participants were paid \$10 to participate in a 30-minute experiment. Toward the end of the experiment they received a mug.





## Study 5: Lab Experiment Knowing the Giver or the Receiver

- Does the increased salience of the other person under pay-it-forward increase payments?
  - Social Distance: Some participants met and talk to the confederate who is a giver or a receiver of a gift under PIF
  - Pricing : Pay-What-You-Want Vs. Pay-it-Forward





## Study 6: Lab Experiment Signaling to the Next Participant

- Do people pay more under pay-it-forward because it is the only way to signal that they are generous and kind?
- If they can justify their payments verbally, will they pay less?
- Two types of signals:
  - How much they paid
  - An opportunity to leave a note





**The previous participant wrote a message directly to you.**

*Dear next participant:*

Don't stress about school



**The previous participant paid:**

\$ 5.00





The previous participant wrote a message directly to you.

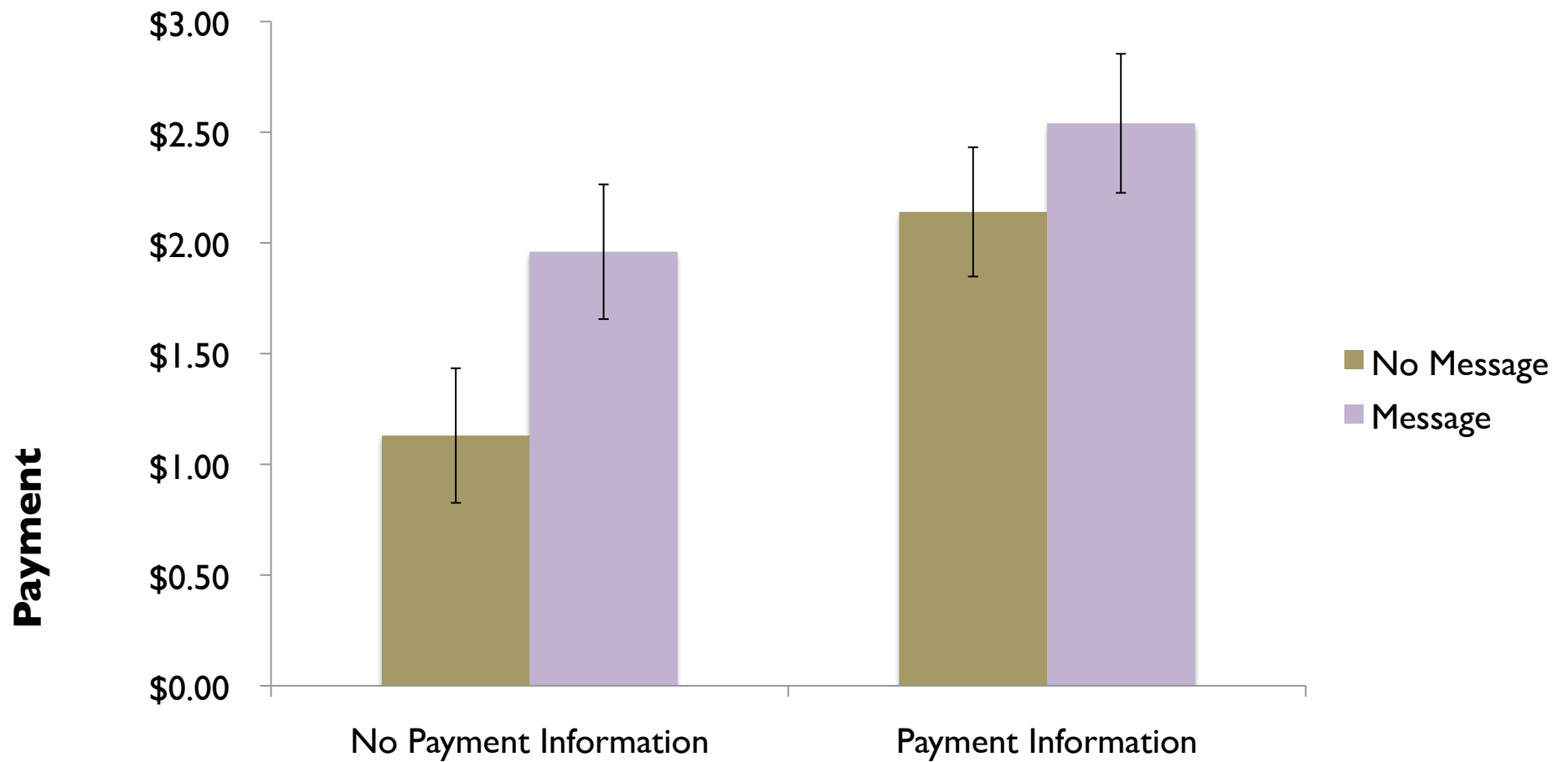
Dear next participant:

Have fun w/ the survey!  
Whew... I'm sorry I'm  
broke. here is a drawing of a  
cat to compensate.



Amount Paid:

\$ 0

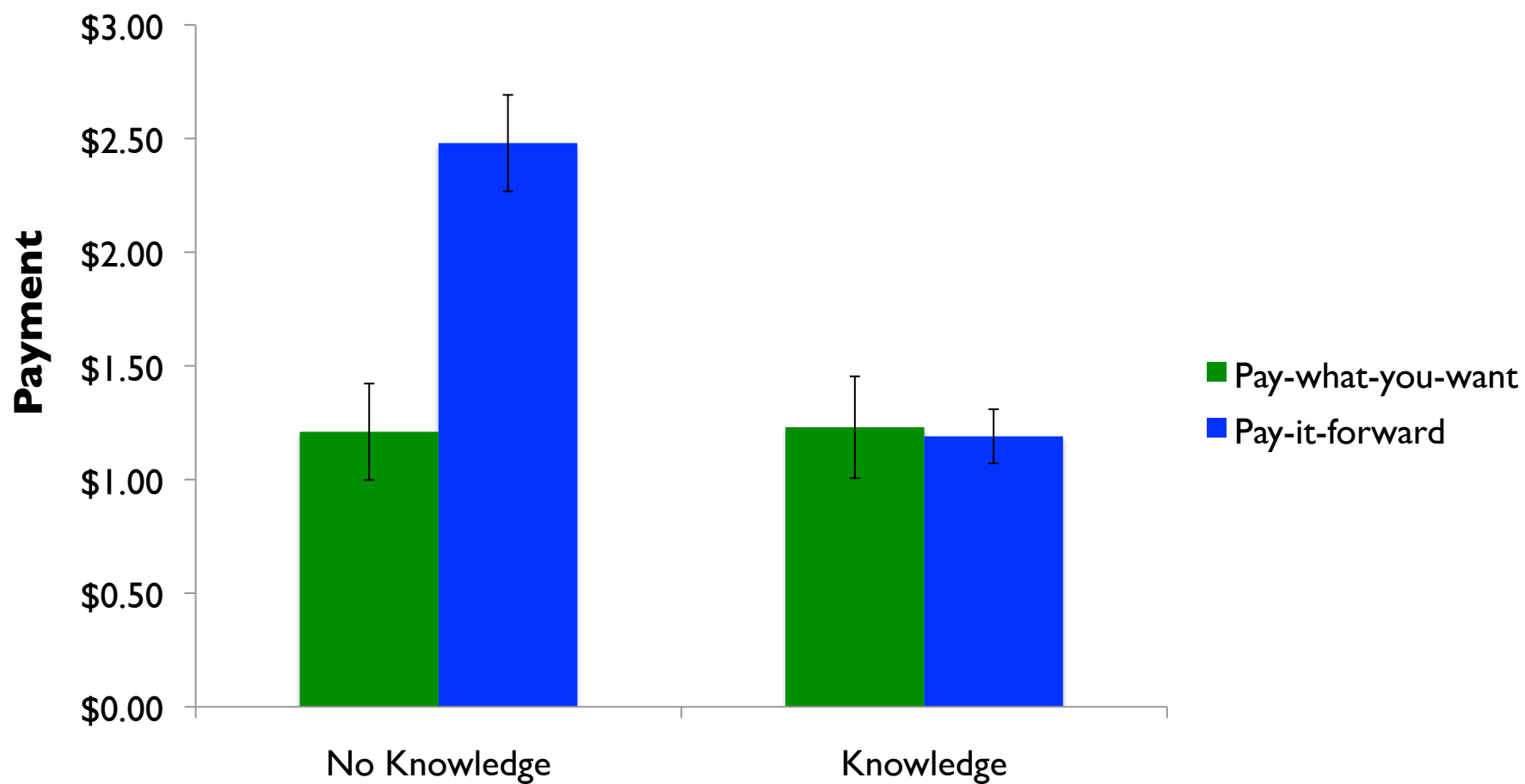


- People pay more when they indicate the amount they are paying
- People don't pay less even when they can justify low payments



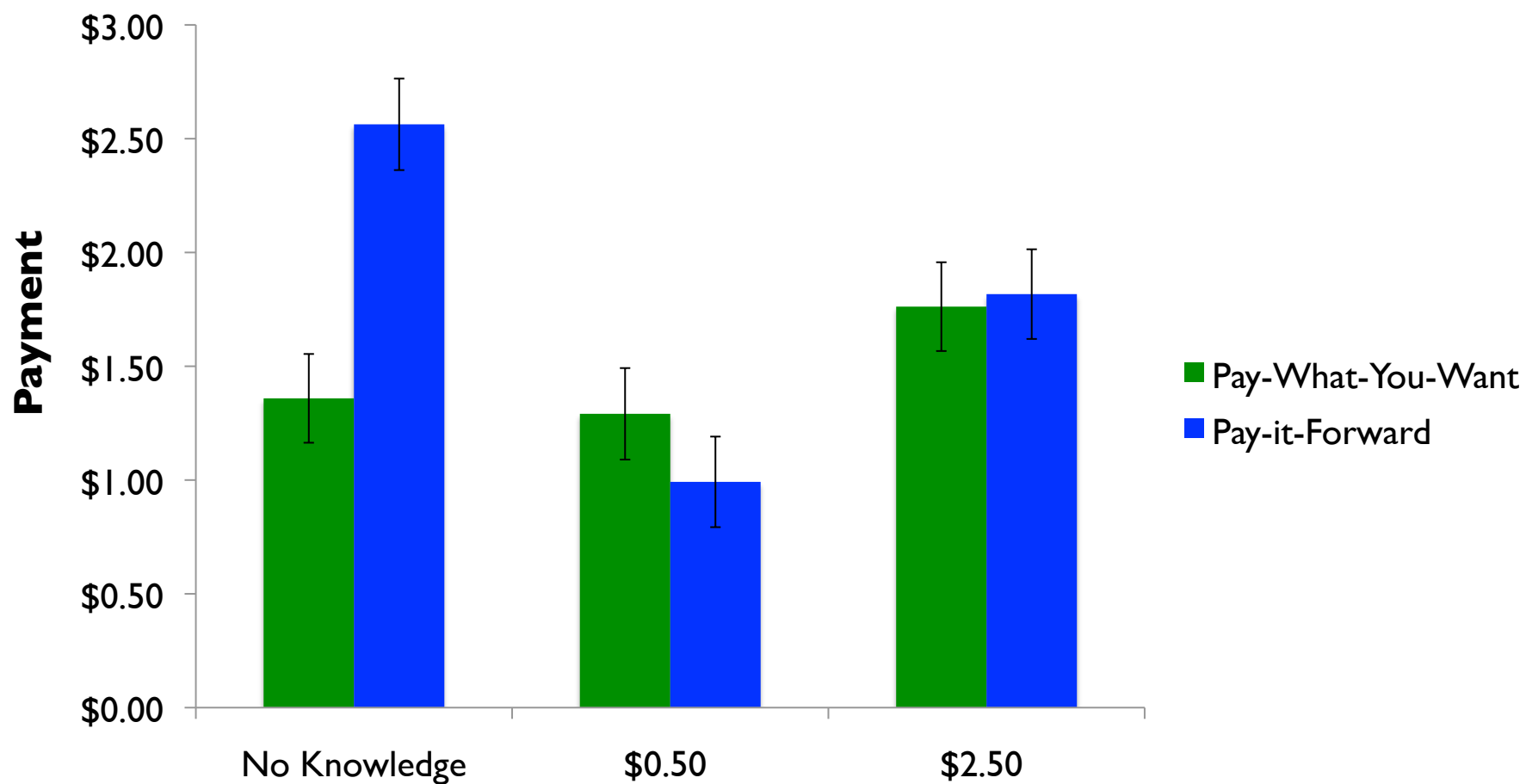
## Study 7: Lab Experiment

### Information about the Previous Person's Payment





## Study 8: Lab Experiment Information about the Previous Person's Payment-II





## Follow-up Experiment: Receiving or Giving

Are people more motivated by giving than receiving a gift under pay-it-forward?

Manipulation:

People are reminded of giving or receiving.



KARMA KITCHEN

Growing in Generosity







KARMA KITCHEN

Growing in Generosity



- Receiving Card



**Thanks for coming to Karma Kitchen today. Someone who came here earlier has paid for your meal as a gift.  
How much would you like to pay?**

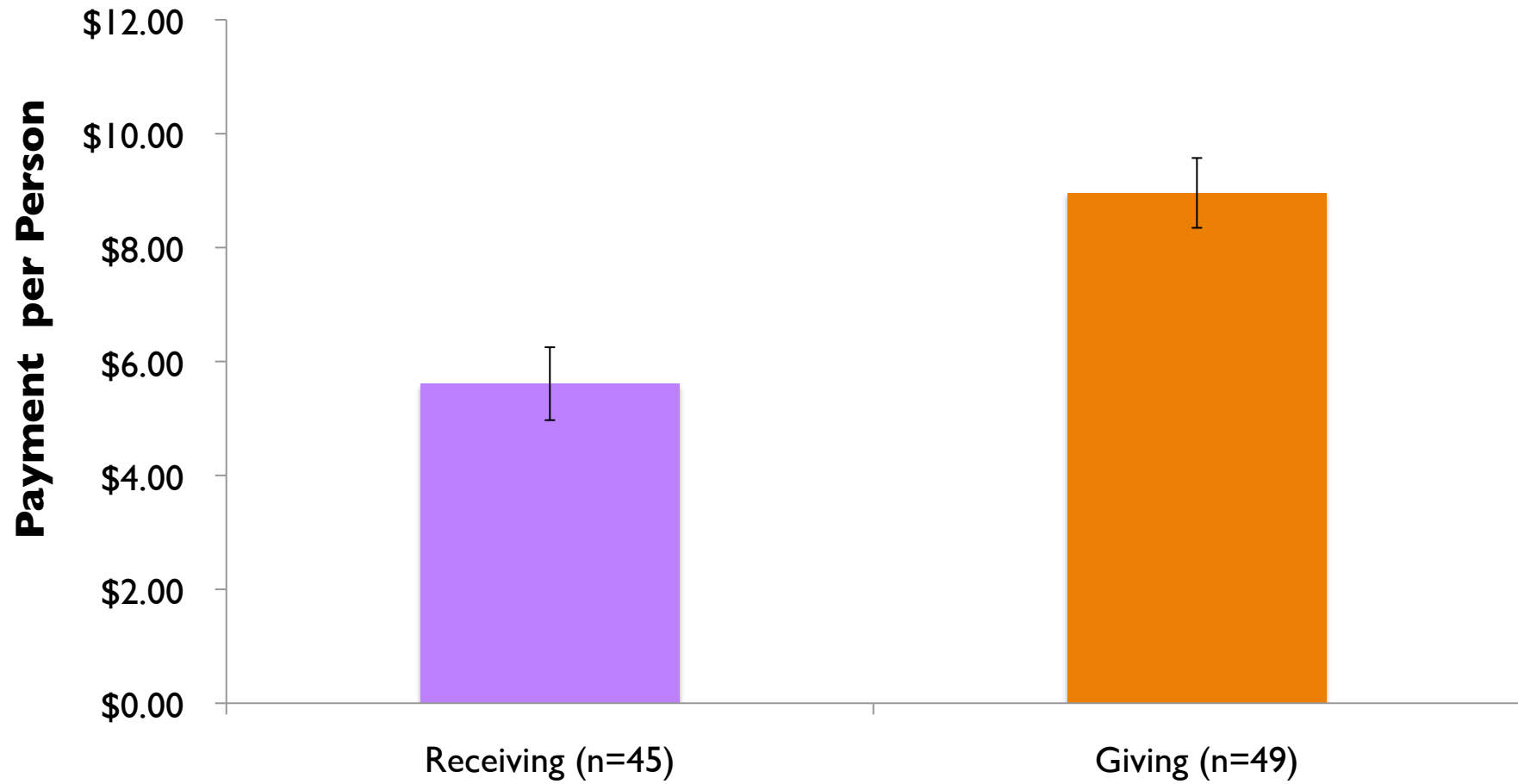
**\$ \_\_\_\_\_.**

- Giving Card



**Thanks for coming to Karma Kitchen today. Now you have a chance to pay for the meal as a gift for someone who will come later. How much would you like to pay?**

\$ \_\_\_\_\_.



**Thank you**