

SCHOOL OF ECONOMICS
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Why Would You Pay?

An Exploratory Study in Pay-What-You-Want Pricing

Master Thesis

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INTRODUCTORY REMARK

This thesis was written during the spring term 2013 as the final project for achieving the Masters' Degree in Globalization, Brands and Consumption from our studies at Lund University School of Economics and Management.

We would like to take the opportunity to give special gratitude to everyone who supported us in the making of this thesis. Generally, acknowledgement and recognition are directed at all directly and indirectly involved staff of Lund University, but particularly at our supervisor Kayhan Tajeddini, who guided, supported and encouraged us during the process of undertaking the work and finally writing the thesis.

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ABSTRACT

TITLE

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PURPOSE

The intention of this research project is to understand and examine Generation Y consumers' paying behaviour in an online environment under PWYW conditions.

THEORETICAL PERSPECTIVES

The study is grounded on the concepts of Consumer Culture Theory (CCT) providing a specific lens to investigate consumer behaviour under PWYW conditions. A detailed illumination of the intertwined concepts of the digital revolution and Generation Y, as well as motivation theory and linked identity formation in the current postmodern online environment build the basis to investigate the PWYW phenomenon from a new angle.

METHODOLOGY

Applying the epistemological orientation of interpretivism linked to the ontological view of social constructionism fulfils the purpose of the study. Further, this exploratory research uses an abductive approach to analyse the collected data.

EMPIRICAL DATA

Empirical data is gathered by means of eight focused interviews and a quasi-experiment.

CONCLUSIONS

The findings of this study demonstrate that both intrinsic and extrinsic motives as well as being monitored or being in private affect Generation Y consumers' paying behaviour under PWYW conditions. Moreover, the authors argue that a correlation between rather intrinsically motivated individuals and 'self-signalers' as well as rather extrinsically motivated individuals and 'social-signalers' exists. The study therefore proposes that compared to offline environments, fewer Generation Y consumers pay positive amounts for digital products in the Web, but when they express such pro-social behaviour, it is driven by intrinsic motivation and thus self-image concerns, assisting them to construct stable and harmonious identity in postmodern society.

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TABLE OF ABBREVIATIONS

CCT	Consumer Culture Theory
e.g.	for example
NYOP	name-your-own-price
PWYW	pay-what-you-want
UGC	User-generated content

INTRODUCTION

CHAPTER 1

INTRODUCTION

Presenting and initiating the field of study will start this introductory chapter. By further elaborating on previous research, background information on the Pay-What-You-Want (PWYW) phenomenon will frame the research topic from a theoretical perspective showing its current state of research. By situating the study at hand within an existing body of literature, the research aims to provide insights and context for the reader. Subsequently, the problem statement as well as research gaps are revealed and outlined. As a result, the formulation of the research question is followed by the overall purpose as well as theoretical and practical relevance of the study. Finally, the thesis structure is presented.

1.1 Background

Prices and pricing strategies have ever been, still are, and presumably will always be an essential part in economics (Riener & Traxler, 2011). As a key element of a company's marketing strategy, pricing has long been used as a means of differentiation (Kim, Natter & Spann, 2009), and further to perpetuate healthy competition among companies. Yet, in times of fierce competition innovative pricing strategies should receive more attention. Companies would be wise to realize the social and economic potential of innovative pricing mechanisms and consequently pursue a distinct pricing strategy.

Pay-what-you-want as one such innovative pricing mechanism gives consumers maximum control over the price setting process, and thus allows buyers to entirely determine the price for their desired product or service (Schmidt, Spann & Zeithammer, 2012). Heretofore, application can be found in cases of theatres and zoos in Germany, an amusement park in California or restaurants in London and Berlin running certain offers to PWYW conditions (Gneezy et al. 2010; Kim, Natter & Spann, 2009). Nevertheless, actual awareness was only raised when the band Radiohead enabled its fans to either purchase their new album for a self-determined price or legally download it for free. After a test run of two months, the outcomes confirmed that following the PWYW pricing mechanism was profitable for the band (Kim, Natter & Spann, 2009). Except for the case of the band Radiohead, it can be noticed that the aforementioned offers are mainly limited to its availability in offline environments. Therefore, it seems implausible that, even though the Internet represents such an integral part of our daily lives, comparatively few offers to PWYW conditions can be found on the Web.

Generally, the advent of the World Wide Web has brought in its wake much progress. As the Internet population has doubled within the past five years, and today almost 35% - thus 2.4 billion people worldwide use the Internet (Internetworldstats, 2013), it not only becomes an

essential part of private everyday life, but also and with far-reaching consequences, in economic life. The greatest Internet penetration can be observed among young people, to be exact, among Generation Y consumers (Freestone & Mitchell, 2004). Concurrently, “generation theorists propose that, as the macro-environment changes, there are concomitant and distinctive changes in patterns of consumer behaviour” (Freestone & Mitchell, 2004, p.121). The drastic movement from Web 1.0 over Web 2.0 to Web 3.0 implying “developments that have seen the growth of social networking sites, the extension of mobile technologies and an increase in user participation” (Barassi & Treré, 2012, p. 1270) therefore shows that today’s businesses not merely act in a social environment but in a digital environment as well. Consequently, taking into account the aforementioned changes, businesses have to rethink what customers value, create aligned business strategies in general, and marketing strategies in particular that fit into these continually advancing transformations (Winer, 2009).

One attempt that approaches the recent shift of consumer behaviour in the business world is the introduction of a new communication paradigm. In this so-called ‘participatory paradigm’ consumers become a part of decision-making and production-processes, exchange ideas on online platforms and constantly engage in dialogues with other individuals, brands and companies. In the light of this inclusion of the consumer, both consumer behaviour as well as marketing strategies are strongly influenced and affected by the new communication paradigm (Sheenan, 2010).

Despite those opportunities, many consumers take advantage of the Internet, which they do in the form of complimentary downloading of digital content. Particularly the Internet represents a place that is likely to be exploited, as it offers the ‘rewards’ of anonymity, and chances being detected of fraud are relatively small. Accordingly, it is the Internet that has paved the way for plenty additional and novel forms of anomalous, mostly prohibited behaviour. As a consequence, companies acting in this incessantly prospering business environment are more and more confronted with strategy issues regarding their online business, online service marketing and concomitant, their pricing strategies.

In order to accustom to the new situation and its unlike conditions, innovative pricing mechanisms represent one approach to improve a company’s business strategy. However, the previously indicated shift towards online customer participation is primarily applied in product development processes, the projection to other business domains is only gradually progressing. Considering the pricing of a product or service, marketing portfolios still only imply traditional, organization-oriented pricing strategies such as uniform pricing, competitive pricing or cost-plus pricing (Rohani & Nazari, 2012). Yet, especially the Internet as an interactive medium provides the basis for the distribution of participative pricing mechanisms, and makes them available for a wide-ranging set of products and services (Chandran & Morwitz, 2005; Kannan & Kopalle, 2001).

The recent shift concerning customer participation on the Internet also caused a reversion in traditional management of organization-oriented pricing. Customer-oriented pricing, also and prospectively known as participative pricing, is coming to the fore and disrupts companies' outdated pricing strategies by providing more power to consumers and at the same time differentiating a company from its competition.

Of these participative pricing mechanisms, the newest and most radical form - PWYW - will be of major interest in the study at hand. The question 'Why would consumers pay' even though they are not obliged to do so, puts in a nutshell what interests the researchers most in this study. The research question thus reads as follows: *Why do Generation Y consumers pay for digital products in an online environment under PWYW conditions?*

1.2 The Pay-What-You-Want Phenomenon

In the following, a short overview of the study's research topic will be outlined. Based on existing literature and research, both participative pricing mechanisms in general as well as its particular form PWYW will be explained and elucidated in more detail.

1.2.1 Participative Pricing Mechanisms

Derived from its name, participative pricing mechanisms are characterized by the fact that consumers are allowed or authorized to participate in ascertaining self-determined prices to products or services (Kim, Natter & Spann, 2009). It is important to notice that both sellers as well as buyers are able to influence the final transactional price. Pricing strategies under participative pricing mechanisms are thus differentiated to traditional pricing mechanisms by the facts that consumers are enabled to exert some or all control over prices paid and the interaction between sellers and buyers, who in some cases generate a unified final price (Kim, Natter & Spann, 2010). According to Chandran and Morwitz (2005) participative pricing mechanisms further include formal and structured as well as informal and unstructured mechanisms.

The integration of consumers in the price-setting process is innovative and enables vendors to attract attention of potential customers (Kim, Natter & Spann, 2010). Delegating some or all control of the price determination to the consumer makes them perceive participative pricing mechanisms as innovative and, more importantly, preferable over conventional pricing mechanisms (Kim, Natter & Spann, 2009). By virtue of the modified price setting process, participative pricing mechanisms evoke performances that drive higher behavioural commitment (Cheema, 2004).

Common characteristics of participative pricing mechanisms are individually differentiated prices in consequence of the interaction taking place during the price-setting process. Those differentiated prices make allowance for consumers' heterogeneous willingness to pay, which

may subsequently lead to increased market efficiency (Spann & Tellis, 2006). Additionally, these pricing mechanisms allow those consumers to be served, whose willingness to pay exceeds variable costs but deceeds homogeneous market prices (Kim, Natter & Spann, 2010). Chandran and Morwitz (2005) claim, that consumers appreciate, and, in fact, prefer actively taking part in the price-setting process rather than accepting a price predetermined or fixed by the seller. Moreover, it seems that buyers' higher perceived control results in a stronger intent to actually purchase a product or service (Chandran and Morwitz, 2005). Resulting from the foregoing, different types and forms of participative pricing mechanisms can be identified as well as classified.

1.2.2 Classification

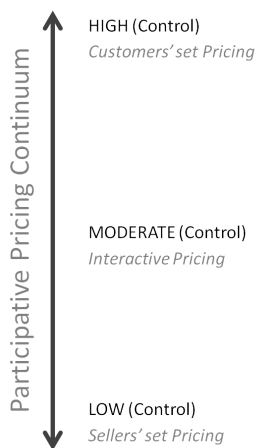


Figure 1-1: Participative Pricing Continuum

over the final price, the upper end of the continuum shows a high degree of participation and thus prices set by the consumer (buyer). Peculiar to interactive pricing are auctions or name-your-own-price (NYOP) applications, whereas PWYW is the most extreme form of participative pricing mechanisms with the highest degree of control over the final price.

Similar to the continuum, another classification introduced by Kim, Natter and Spann (2010) classifies the different mechanisms according to the side of the market that defines and hence controls the final transactional price. Compliant with this and illustrated in figure 1-2, three forms of mechanisms can be distinguished: 1) the buyer determines the final transactional price, 2) the seller determines the final transactional price or 3) both buyer and seller determine the final transactional price (Kim, Natter & Spann, 2010).

As different authors and literature suggest, there are several ways of classifying participative pricing mechanisms.

Former researchers approaching customer participation made use of continuums. In order to classify participative pricing mechanisms, the same method can be applied. Here, the continuum is roughly divided into three levels (low, moderate and high) reflecting the degree to which consumers control the price-setting process. As for the lower end of the continuum, the consumer (buyer) has very little to no control over the price, which in this case is solely set by the seller. All products and services sold at a fixed price belong to this category.

While the intermediate part covers an interactive pricing process that includes both parties (seller and buyer) holding some control

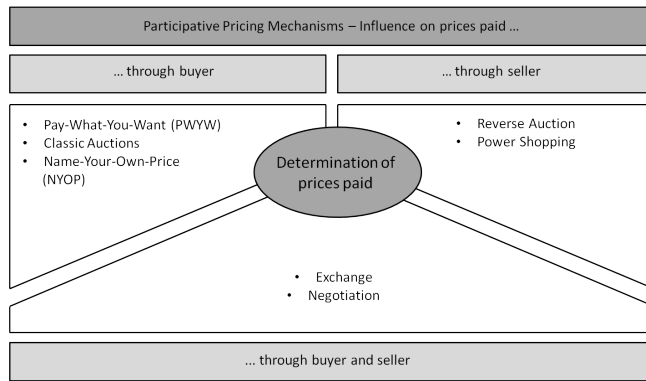


Figure 1-2: Classification of Participative Pricing Mechanisms I (Kim, Natter & Spann, 2010, p. 149)

In the first case, control is coming from the side of the buyer, which in detail means that the buyer in all cases determines final transactional prices. Depending on the particular pricing strategy, the buyer indicates a self-determined price in the form of a bid (Kim, Natter & Spann, 2010). However, particulars vary according to the nature and characteristics of respective strategies, which according to Kim,

Natter and Spann (2010) are PWYW, auctions and NYOP. In the second case, the buyer might influence a products or services price, but the party responsible for the final price is the seller only. Again, strategies within this domain may differ in detail, but they follow the same fundamental idea of ultimately letting sellers decide on the final price (Kim, Natter & Spann, 2010). Examples of these kinds of strategies are reverse auctions and power-shopping. They are characterized by a seller’s set price model, which in turn, is predetermined by customary price levels (Skiera, Spann & Walz, 2005). Exchange and negotiation fall into the last category, which implies both parties having influence and equal levels of control over the final price. Owing to respective negotiation skills, both buyers and sellers are able to define and finally determine the transactional price (Kim, Natter & Spann, 2010).

Based on two different forms of interaction among buyers and sellers, Kim, Natter and Spann (2009) suggest a further classification of participative pricing mechanisms. This classification is built on Dolan and Moons (2000) market-making mechanism. While price auctions, reverse auctions and exchange are categorized under what they term as ‘horizontal interaction’, negotiations, NYOP and PWYW class among ‘one-to-one interaction’.

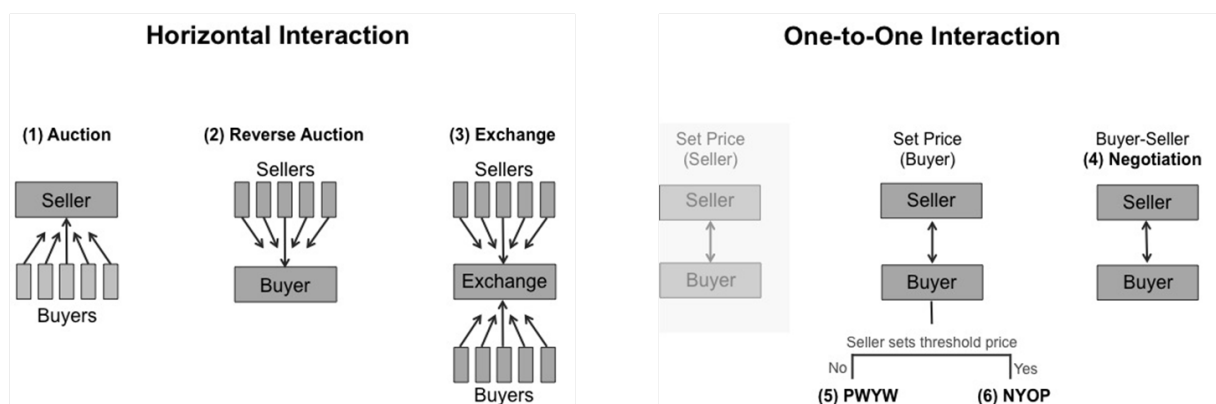


Figure 1-3: Illustration of Classification of Participative Pricing Mechanisms II (Kim, Natter & Spann, 2009, p.45)

The former includes several buyers as well as several sellers in the price setting process, whereas in the latter only one seller and one corresponding buyer are taking part (Kim, Natter & Spann, 2009).

1.2.3 The Pay-What-You-Want Pricing Mechanism

Pay-What-You-Want as a strategy very similar to NYOP represents the most radical form of participative pricing mechanisms. By definition, PWYW is distinguished to other rather conventional participative pricing mechanisms by delegating the price-setting process and all control without exception to the buyer (Kim, Natter & Spann, 2009). The buying party solely determines prices to which the transaction takes place and thus is the proactive instead of reactive party (Kim, Natter & Spann, 2010). Under those conditions, the seller is merely responsible for offering the product to PWYW conditions, and eventually has to accept any quoted price including a price of zero (Kim, Natter & Spann, 2009). A withdrawal of provided products or services is not possible after receiving a buyer's price proposal (Kim, Natter & Spann, 2010). Kim, Natter and Spann (2009) further claim that the PWYW model achieves a certain degree of price discrimination.

Compared to other strategies in participative pricing, the most obvious distinction of the PWYW model is the absence of a threshold as in the case of NYOP pricing (Kim, Natter & Spann, 2009). As mentioned before, no such hedge or protection is given within the PWYW pricing mechanism (Kim, Natter & Spann, 2010). Moreover, competition does not exist among buyers unless products or services are offered on limited numbers (Kim, Natter & Spann, 2009). Donations, for example, represent a form of the PWYW model. Since giving money cannot be forced, pricing strategies of street musicians or charities can be labelled PWYW as well (Jang & Chu, 2012).

Schmidt, Spann & Zeithammer (2012) specify three main reasons for organizations and consumers why the PWYW model represents an attractive pricing strategy to pursue. First, for consumers the PWYW model represents "a means of endogenous price discrimination ... even though no exogenous constraints are imposed" (Schmidt, Spann & Zeithammer, 2012, p.1). Second, applying the PWYW pricing mechanism can maximize unit sales. Companies, that either aim to enter new markets, achieve network effects or sell complementary products, can use the PWYW strategy to their benefit (Schmidt, Spann & Zeithammer, 2012). The third and last reason determines that the PWYW model can serve as a competitive strategy that implies undercutting other sellers that apply conventional, non-participative pricing strategies (Schmidt, Spann & Zeithammer, 2012).

As several organizations are starting to learn about the phenomenon and realize its inherent potential, the PWYW model lately commences to gain popularity (Johnson & Cui, 2013).

1.2.4 Literature Overview

In the context of marketing related research, a comprehensive set of literature on pricing strategies can be found. Nonetheless, considering the PWYW pricing mechanism the number of research and literature is fairly sparse. A brief overview of existing literature will be resumed in the following.

Commencements to explore and study the PWYW phenomenon were made by Kim, Natter and Spann (2009), who pioneered the field researching PWYW in offline settings making use of three temporary field studies in a restaurant, a delicatessen shop and a cinema. The researchers analyzed several factors influencing paying behaviour under PWYW conditions, and were thus led to the conclusion, that prices paid are significantly greater than zero and generally lead to increased revenues (Kim, Natter & Spann, 2009). In a follow-up study Kim, Natter and Spann (2010) further investigated the topic and identified two different consumer segments by means of a latent-class-regression. Their results showed that several influencing factors, as for example satisfaction and personal interaction, have an influence on consumers' price determination. Following their pioneering work, additional field studies concerning the issue of the PWYW pricing mechanism have been conducted.

Johnson and Cui (2013) examined the effectiveness of different external reference price strategies and accompanying affects on consumers' paying behaviour under PWYW conditions. The results were surprisingly unusual. Minimum, maximum as well as suggested prices seemed to be less beneficial for companies than not stating any of the external reference prices after all (Johnson & Cui, 2013).

Apart from the aforementioned, Gneezy et al. (2010) as well as Gautier and van der Klaauw (2012) identified several factors affecting consumers' paying behaviour. In more detail, Gneezy et al. (2010) studied effects of charitable giving in the context of PWYW pricing, and based on their findings support the notion that companies need to switch from corporate social responsibility to what they term shared social responsibility.

Differing from the foregone approaches, Gautier and van der Klaauw (2012) studied data within the limits of a promotional campaign in the hotel industry. Contrary to, for example Gneezy et al. (2010), they argue that mainly individuals showing less pro-social behaviour were attracted by this promotional campaign.

Traxler and Riener (2012) were the first to run a PWYW field experiment over a two-year period. Studying both the distribution as well as the evolution of payments in a restaurant offering menus to PWYW conditions allowed them to observe that a vast majority of guests principally paid amounts greater than zero. Further, the study provided evidence that despite of an average decline, prices paid converged at a positive level, which in turn resulted in significantly increased total revenues (Traxler & Riener, 2012).

Along the same lines, León, Noguera and Tena-Sánchez (2012) examined the PWYW pricing mechanism in the context of pro-social motivations as well as reciprocity utilizing Atrápalo 's holiday packages under the *El trato* ('The deal') campaign. Similar to Gautier and van der

Klaauw (2012) but in contrast to Kim, Natter and Spann (2009, 2010) they find that consumers do exhibit selfish behaviour. They explain their findings by means of two reasonable explanations, of which one is the way the campaign is framed, and the other one is the attribution of consumers 'hidden' preferences (León, Noguera & Tena-Sánchez, 2012). Lastly, Jang and Chu (2012) examined the PWYW pricing mechanism from a quite different perspective, not investigating companies' fair actions and behaviour towards consumers, but the other way around, consumers' fair actions and behaviour towards companies. In line with Kim, Natter and Spann (2009), they concluded that without any obligation to do so, consumers show fair behaviour towards companies (Jang and Chu, 2012).

1.3 Problem Statement

As formerly depicted, PWYW as a relatively new field in academic research has lately gained importance among researchers conducting experimental research in behavioural economics. However, in the domain of Consumer Culture Theory (CCT), the current state of research on the PWYW phenomenon still shows notable gaps, particularly in the incessantly prospering online environment. This concrete issue will be addressed within the study at hand.

The changes from modern to today's postmodern consumer culture necessitated examining the PWYW phenomenon under socio-cultural aspects. CCT represents an interdisciplinary field encompassing interpretative, macro and critical attempts to present a holistic view on consumer behaviour involving social as well as cultural characteristics (Arnould & Thompson, 2005; Belk, 2010). The illumination of socio-cultural structures in CCT has fundamentally advanced knowledge on consumer behaviour in a postmodern society, which is why it is of importance when investigating the PWYW phenomenon.

Previous researchers state that PWYW as a nascent pricing mechanism still requires research and comparison of different distribution channels, industries and environments (Kim, Natter & Spann, 2009, 2010). Since the Internet is the place that provides companies with "a direct link to consumers and has made it easier to implement unconventional pricing mechanisms", it gives rise to study consumer motivations concerning the PWYW pricing mechanism in this specific environment (Kim, Natter & Spann, 2009, p. 46).

The Internet as an interactive medium provides the basis for the distribution of participative pricing mechanisms, however particularly the PWYW model has not found application in this environment thus far. Principally, the digital revolution as well as emerging shifts in the Web (Web 1.0, Web 2.0 to Web 3.0) account for consumers that impose new and more challenging requirements on companies, which in turn pressures them to detect new ways of differentiation. Additionally, organizations marketing digital products, such as music, video games or software, suffer great losses from illicit downloading and copying on the Internet and struggle to find an appropriate online pricing model. Consequently, the new social and

digital environment provides a good basis to implement the innovative PWYW pricing mechanism on the Internet. Especially, Generation Y consumers, who grew up in this postmodern and moreover digitalized world often search for means that reflect their values and beliefs. This generation, seeking authenticity, integrity and autonomy, particularly values being engaged and given control. The PWYW model as such precisely offers these features, and beyond that allows for a high degree of personalized interaction.

Considering the above, the deciding difference between offline and online environments is the level of personal interaction between buyers and sellers (Jang & Chu, 2012; Kim, Natter & Spann, 2010). While in offline environments it is assumed that the degree of personal interaction between a buyer and seller has significant impact on prices paid, the buying and especially paying process in online environments is performed in private and thus extrinsic motivational factors are missing (Burchell, et al., 2013). Hence, it seems critical to understand different motivations in offline and online environments, and in wider sense whether the PWYW model is suitable on the Internet. It can be noticed that dynamic and participative pricing mechanisms like online auctions have stimulated a growing interest of researchers (Bazerman 2001; Chakravarti et al. 2002). However, given the lack of moral authorities or social interaction when buying online, large gaps remain in the understanding of how consumers are motivated in divergent settings, particularly in online environments when paying under PWYW conditions.

1.4 Research Questions

Considering the still limited number of research on the PWYW phenomenon, the project will be exploratory in nature. The intention of this research project is to understand the underlying reasons for Generation Y consumers' paying behaviour in an online environment under PWYW conditions. Specifically motivations of consumers can be insightful and revealing when examining the suitability of innovative concepts. The question 'Why would consumers pay' even though they are not obliged to do so, puts in a nutshell what interests the researchers most in this research project. Starting from this position, this research project will explore the following main research question:

Why do Generation Y consumers pay for digital products in an online environment under PWYW conditions?

In particular, the driving intrinsic and extrinsic motives affecting consumers' decisions need to be identified to develop a comprehensive set of motivations that can help to understand consumers' underlying reasons, and therefore reveal reasonable rationales for the success and

reliability of PWYW as a pricing mechanism on the Internet. The first sub-question addressing this particular issue reads as follows:

What are the driving extrinsic and intrinsic motives that affect Generation Y consumers' paying behaviour under PWYW conditions?

Elaborating on this first sub-question and gaining insights into consumer motivations will lay the foundation for the second sub-question that detects whether external factors such as social pressure or moral authority have an impact on Generation Y consumers' paying behaviour in an offline and online settings. Consequently, the second sub-question investigates if people merely act fair when outsiders are watching or if it is an inner feeling to pay something for its own sake.

How does the contextual influence of online and offline environments affect Generation Y consumers' paying behaviour under PWYW conditions?

Together, both sub-questions will allow the researchers to answer the overall research question asking *Why do Generation Y consumers pay for digital products in an online environment under PWYW conditions?* To sum up, the findings from this investigation assist to approach the issue whether or not the PWYW model represents a suitable online pricing strategy.

The main research question as well as both sub-questions will be answered by means of primary data raised in the data collection process of this study. In particular, the first sub-question addressing consumer motivations will be based on findings from focused interviews, which will be presented in chapter 4.1 while the outcomes of the quasi-experiment in chapter 4.2 serve to address the second sub-question dealing with the contextual influence of divergent settings. Finally, the summary of the findings in chapter 5.1 will resume the two sub-questions as well as address the main research question.

1.5 Purpose

By virtue of the foregone depiction, the main contribution of this study is to explore and explain consumers' paying behaviour in online environments under PWYW pricing mechanism. The impact of the PWYW model and its suitability on the Internet will be an additional contribution. Supplementary, the researchers aim at building contribution to existing literature in motivation and behavioural economic theory as well as CCT. As it was chosen to examine the issue from a consumer perspective, the researchers aim to bring into orbit the concept of PWYW per se and its greater implementation to the Web by limiting the

research to a single culture, which in this case is Germany. The study is intended to be useful for researchers, companies in the digital industry, policy makers as well as consumers. Thus, in the following the theoretical as well as practical relevance of the study will be pointed out more precisely.

1.5.1 Theoretical Relevance

Owing to the limited number of research on the PWYW phenomenon, this study will add insights into several domains mainly related to the comprehensive field of marketing.

As this is one of the first articles in CCT, the discovered insights will be of use to researchers investigating Generation Y consumers' identity construction in postmodern society. The study at hand will illuminate how Generation Y consumers align their identities with market-generated materials, and will thus contribute to the research field of CCT, particularly to its research domains 'consumer identity projects' and 'marketplace cultures'.

Likewise, the study will contribute to motivation theory, as new perceptions about varying extrinsic and intrinsic motivations in online and offline settings will be explored, and thereby an initial foundation for further investigations and research projects in this area will be presented.

Further, perceptions about general online consumer behaviour, especially in the domain of behavioural economics are obtained and inferences about the validity of the 'homo economicus' model as well as the more recent 'homo reciprocans' model will be drawn. As contrasted with the 'homo reciprocans' model, which pictures humans as motivated by a wish to cooperate and moreover improve their surrounding, the 'homo economicus' model describes humans as self-interested and rational while maximizing their utility as consumers (Dohmen et al., 2009; Persky, 1995). This in conjunction with the PWYW phenomenon will add insights to consumers' behaviour in online environments, and therefore help to increase the understanding of how markets, particularly online markets work when designing as well as modifying both economic models and online pricing strategies.

All in all, the study will provide a greater understanding of the novel PWYW phenomenon itself, as well as it will contribute to contiguous academic fields beyond marketing and economics. The subject matter can trigger developments in the fields of sociology, psychology and anthropology.

1.5.2 Practical Relevance

As several tests and experiments have shown the PWYW model is applicable in specific industries operating in offline environments. Especially service industries and companies selling products with low variable costs, such as cinemas and zoos, are predestinated to apply this novel pricing mechanism.

When projecting the phenomenon to an online environment, it becomes highly valuable for the music and video game industries, as these still face issues in adjusting conventional pricing models or implementing innovative pricing strategies in the Web. Insights about Generation Y's perception towards the PWYW phenomenon and their underlying reasons to deploy or not deploy the mechanism will enable practitioners to find a way to build value and means of income in industries that suffer great losses from illegal behaviour on the Internet.

Additionally, it is of interest for news and online streaming websites, as these, similar to companies in the digital industry, are searching for an alternative between the free-of-charge culture and conventional pricing mechanisms on the Internet. While currently, they make money by 'spamming' their consumers with advertising, prospectively, the PWYW model could disrupt their outdated way of doing business. By implementing an innovative method that secures income in the Web, news websites can avoid the notion of taking digital content for free, and eventually be able to offer qualitative journalism as performed in times when it was solely sold in printed media.

Finally, the present study will help practitioners operating in endangered industries on the Internet to receive insights into the motivations and perceptions of consumers regarding their willingness to pay for digital products, and thus whether the PWYW model can successfully be used for future business in the Web.

1.6 Thesis Structure

The first chapter depicted the introduction, and thus gave insights into the subject and context of the study and corresponding background information to the issue, which was drawn from existing literature examining the PWYW phenomenon. The remainder of this paper is organized as follows. Within the second chapter a theoretical framework based on current related concepts is presented, and thus a specific lens for the PWYW phenomenon is developed. Following the theoretical framework, chapter three outlines methodological reasoning and chosen methods. Subsequently, in the fourth chapter, results and findings will be illustrated and discussed, and finally the last and concluding chapter provides answers to research- and sub-questions as well as general conclusions and implications for theory and practice. Moreover, limitations and implications for future research are included.

THEORETICAL FRAMEWORK

CHAPTER 2

THEORETICAL FRAMEWORK

This chapter sets forth to create a theoretical framework for the PWYW phenomenon. Although little academic literature on PWYW itself exists, there is an extensive body of published literature in related fields. Firstly, the concept of CCT will be outlined providing a specific lens to investigate consumers' paying behaviour related to the PWYW phenomenon. Secondly, detailed illuminations of the digital revolution and Generation Y will be presented, as these two intertwined concepts profoundly influence today's business world, and thus build the basis to further investigate consumer motives and their linked identity formation in the current postmodern online environment. Finally, all concepts will be bridged and assist in systematically examining the empirical findings. Ultimately, the coalesced constructs serve to answer the study's research question.

2.1 Consumer Culture Theory in Postmodern Society

Consumer Culture Theory (CCT) has been shaped by several influencing factors, of which one appears to be the advent of postmodernism. As a new philosophical and cultural movement postmodernism represents a "perspective on life and human conditions" (Firat & Venkatesh, 1993, p. 227) "from which to view and to act in the world, generally, and the business world, specifically" (Brown, 1993 cited in Firat & Schultz, 1997). As Firat and Schultz (1997) concur, this movement has significant impact on contemporary culture, particularly consumer culture, because globalized capitalism largely changed the patterns of consumption (Cova, 1997). The postmodern culture has emerged throughout the affluent countries of Europe in the second half of the twentieth century as a critique of modern consumer society (Cova, 1997).

Thus, postmodernism relates to a structural change in both the society and the individual associated with the end of the industrial era and the emergence of the era of communication and information dominating contemporary culture (Campbell, 2005). Additionally, innovations towards more rapid transportation and wider communication have fundamentally contributed to induce globalization, which is frequently perceived as one force that has driven the prevailing decentralized life. Postmodernity is thus characterized by the disappearance of a set of features including continuity, commitment and unity, whereas other features such as multiplicity and complexity intensified within this time (Firat & Venkatesh, 1993). The 'commoditization of knowledge' and 'fragmentation of authority' can be considered as key features of postmodern society as well (Featherstone, 1991).

The developed distrust for the project of modernity created disintegration, disillusion and anxiety among people, but disappeared as these imbibed the new postmodern view. The consumer in postmodern times is therefore represented as an 'identity-seeker' (Campbell, 2005) or a "self-conscious manipulator of the symbolic meanings that are attached to products, someone who selects goods with the specific intention of using them to create or maintain a given impression, identity or lifestyle" (Featherstone, 1991 cited in Campbell, 2005, p. 24). In this new context, consumption represents the principal mode of individual self-expression, while consumers represent rather active than previously passive and hesitant actors without emotions, spirit or individualism (Campbell, 2005).

Firat and Venkatesh (1995) further suggest that postmodernism features five conditions of postmodern culture. These are hyperreality, fragmentation, reversal of production and consumption, decentered self, and juxtaposition of opposites (Branch 2007; Firat & Schultz, 1997). By reversing the conditions of modernity (Firat & Venkatesh, 1993) and considering that consumption has formed a "nonexistent courtyard with no boundaries" (Cova, 1997) it becomes evident that postmodern thinking challenges and affects the way business is conducted, and moreover has far-reaching implications for contemporary marketing management (Cova, 1996; Firat & Schultz, 1997). A recent and still quite unconventional view on marketing is of postmodern nature and implies that marketers need to let their brand message be hijacked by consumers in order to further let them drive the brands evolution (Wipperfurth, 2005).

As previously set out, production as well as consumption are not merely economic acts, yet they are also cultural processes. In the aggregate, it can be inferred from the features ascribed to postmodernism that the movement engendered CCT. As Arnould and Thompson (2005) purport, CCT, "which assumes an epistemological orientation based on interpretivism and qualitative research" (da Silva Gaião, de Souza & de Souza Leão, 2012), represents an interdisciplinary field encompassing interpretive, macro, and critical attempts to deal with consumer behaviour as well as its concomitant perspectives (Belk, 2010). Throughout the course of history the focus upon consumers has fundamentally changed. Up until the advent of CCT as an interdisciplinary field in consumer research, individualistic choices and practices have been studied to understand consumer behaviour in a psychological or economic manner (Arnould & Thompson, 2005; Bettany, 2007; Cova, 1997). However, as the late 20th century brought along an urge among researchers and marketers to examine the boundaries of prevailing marketing studies, the focus of consumer behaviour in general shifted, and marketers aimed to understand rather holistic consumer behaviour involving both social and cultural phenomena (Arnould & Thompson, 2005; Cova, Ford & Salle, 2009).

As Holt (1995) states that in CCT research examines how consumers consume, Arnould and Thompson (2005, p. 875) append that this research is disseminating "across a gamut of social spaces (e.g., the home, the office, diverse retail settings, the Web, leisure enclaves, tourist

sites), frequently making use of multiple data sources and triangulation techniques”. The illumination of socio-cultural structures in CCT has fundamentally advanced knowledge on consumer behaviour. Different research programs represent distinct approaches in CCT. While ‘consumer identity projects’ focus on identity work and ‘marketplace cultures’ elevate the role of mundane rituals in creating social bonds, ‘the sociohistoric patterning of consumption’, and ‘mass-mediated marketplace ideologies and consumers’ interpretive strategies’ focus on current research in media studies that deal with active as well as creative media users (Arnould & Thompson, 2007). Together, these research programs form a holistic research tradition. Ultimately, the preceded elucidation delineates that CCT bears upon a family of related theoretical perspectives approaching “the dynamic relationship between consumer actions, the marketplace, and cultural meanings” (Arnould & Thompson, 2005, p.868; Bettany, 2007; Cova, Ford & Salle, 2009).

In the ensuing part of the theoretical framework the researchers establish a connection between the PWYW phenomenon and CCT addressing the research domains of ‘consumer identity projects’ and ‘marketplace cultures’. Both will act as a basis when considering the matters of motivation theory and identity construction, as the aim of this study is to understand consumer motivations of Generation Y consumers’ paying behaviour. In order to be successful on this, a comprehensive theoretical perspective on CCT including individual as well as social traits of consumers will be in focus. Arnould (2007) corroborates that with a CCT lens, consumers are examined in context, which ultimately leads to a better understanding of the way in which consumers perform their identity.

As the Internet became such an integral part in today's society and consumer culture the so-called ‘digital revolution’ and its impacts on marketplace cultures depict an important basis when examining participative pricing and consumer behaviour. Therefore the digital revolution will be captured and portrayed in the following section.

2.1.1 Digital Revolution

With more than two billion people using the Internet worldwide, the world has moved together and become a more connected global village (Internetworldstats, 2013). Driven by technological advancements and associated customer interaction, the media landscape has significantly been impacted by digital and interactive new media from the early 21st century (Winer, 2009). Developing from these characteristics and the various alternative ways to interact with customers, new technologies and channels transform the media that constitute the basis for marketing activities and thus opportunities and problems for managers and academics (Wind 2008; Winer, 2009).

Especially during the last decade, the Internet experienced rapid growth and subsequently turned from a platform for scientists to an information as well as entertainment space with

more than two billion users (Anderson, 2007; Seraj, 2012; Varadarajan & Yadav, 2009). By now, it represents an indispensable part of popular life, as it combines and offers online services, including network communications, online communities, information search, network media, e-commerce, and online entertainment (Kolbitsch & Maurer, 2006). Triggered by this recent evolution, the marketplace has turned into an Internet-enabled market environment. “For a growing number of products, the competitive landscape has evolved from a predominantly physical marketplace to one encompassing the physical marketplace and the electronic marketplace” (Varadarajan & Yadav, 2009, p. 11). This especially proves to be true for the digital industry.

The digital revolution not only necessitated businesses to rethink what customers value but also to initiate modifications in their marketing strategies, and design new ones that benefit from innovative options and possibilities in order to deploy competitive differentiation (Berman & Bell, 2011).

Paralleling the technological innovations, consumer behaviour has substantially changed. Their values and expectations respectively grew as evermore opportunities arose for them. Berman and Bell (2011) have found that companies that follow a cohesive strategy, integrating both digital and physical elements, will most likely be able to change their business models according to new requirements. Here, it is of great importance to reshape customer value propositions and reconfigure currently operating models by making use of digital technologies. These will be valuable to companies because greater customer and partner interaction as well as collaboration are considered key success factors (Berman & Bell, 2011).

The different stages in the digital revolution equally show how the environment and consumers have changed concomitantly with the technological progress (Kambil, 2008; Kaplan & Haenlein, 2010). Divided into three different stages, “the Web has mapped structures from the physical world to the hypertext domain” until recently entering interactive domains. (Kolbitsch & Maurer, 2006, p. 188). According to Fuchs et al. (2010) the terms Web 1.0, Web 2.0 and Web 3.0 are used to describe and characterize information processes and social dynamics rather than mere technical developments. (Aghaei, Nematbakhsh & Farsani, 2012; Barassi & Treré, 2012). Thus, since the advent of the Internet down to the present day, Web 1.0 as the Web of cognition, Web 2.0 as the Web of human communication and Web 3.0 as the Web of co-operation have been the incumbent phases (Aghaei, Nematbakhsh & Farsani, 2012; Fuchs et al., 2010).

Web 1.0, referred to as the web of cognition or read-only web, was set as a place to simply broadcast information. Searching for and reading information were the only possible activities on the Web, and therefore user interaction or content contributions were not possible then (Aghaei, Nematbakhsh & Farsani, 2012). Subsequent to this stage, Web 2.0 ascended harnessing “the collective intelligence of crowds to create value” (O’Reilly, 2005, para 25). Facilitating social networks, user experiences and co-production (Barassi & Treré, 2012), it is

defined as a 'read-write web' that is characterized by a 'new architecture of participation' (O'Reilly, 2005). Peculiar to this stage, social media and virtual communities loomed large, and social interactions were crucial for companies, as communication and exchange of user-generated content (UGC) became more popular (Aghaei, Nematbakhsh & Farsani, 2012; Kietzmann et al. 2011; Scott, 2011). In order to manage "large global crowds with common interests" (Aghaei, Nematbakhsh & Farsani, 2012, p. 2) the communication model shifted from a linear, one-to-many to a nonlinear, one-to-one and many-to-many model (Aghaei, Nematbakhsh & Farsani, 2012; Rowley, 2004). While Aghaei, Nematbakhsh and Farsani (2012) contend that the desired dimension of Web 3.0 is to provide machine-readable contents and subsequently reduce humans tasks and decisions by leaving them to the machines, Fuchs et al. (2008) construe less radical that Web 3.0 will consist of networked digital technologies able to facilitate human cooperation. The concept is associated with the notion of a 'semantic Web', however, concepts on the advances of this Web are still blurred and not definite at this point in time (Barassi & Treré, 2012). Should this Web transpire, consumers would be notably more interacted with the Web as yet in Web 2.0.

The "cost-efficient and multimedia-rich interaction opportunities offered by the Internet" especially Web 2.0 (Füller et al. 2010, p. 71) set the basis for involving the consumer into the product development process, and show new forms of producer-consumer collaboration (Bertilsson & Cassinger, 2010). This new kind of collaboration has been approached by marketing scholars and is, among others, termed co-creation, co-production or consumer co-operation (Bertilsson & Cassinger, 2010; Prahalad & Ramaswamy, 2004; Ritzer & Jurgenson, 2010). The concept derives from Vargo and Lusch's (2004) model of service dominant logic, saying that consumers are considered to be active and knowledgeable partners collaboratively generating value instead of passively being exposed to marketing activities as it was in Web 1.0. (Bertilsson & Cassinger, 2010; Deighton & Kornfeld, 2009; Hanna, Rohm & Crittenden, 2011). By providing greater access to information, instant publishing power and a very participatory audience, the Internet has empowered consumers (Füller et al. 2010; Krishnamurthy & Kucuk, 2009) and simultaneously created new means of attaining value on the Web (Füller et al. 2010; Wind, 2008).

Wind (2008) describes this emerging audience as 'the new breed of consumers', who literally expect customization, multiple and competitive value, communities and choices. Reinforced by other scholars, Wind (2008) further elaborates that the passive consumer is history and a new active and empowered consumer is now increasingly taking over control, which directly leads to a transfer of power from businesses to consumers (Deighton & Kornfeld, 2009; Hanna, Rohm & Crittenden, 2011; Pires, Stanton & Rita, 2006). Economically, the shift was noticeable in many respects. However, more to the point, the development and shift in power relations triggered an extensive change for marketing operations (Wind, 2008). Looking ahead, marketing in general "will be integrated more extensively and blended in the Internet-enabled market environment in the future" (Varadarajan & Yadav, 2009, p. 11). Wind (2008)

brings to mind that marketing desperately requires rethinking. For example, forms of interactivity “that facilitate people’s identity projects and contribute to the collective making of meaning” are considered the most attractive form in marketing (Deighton & Kornfeld, 2009) and could possibly depict any such prospective notion. Wind (2008) comprehensively stresses, as ‘their own battlefield’ has changed, industry and academia need to work together to develop and design new frameworks and tools that will serve the new world.

In this respect, the PWYW model might help transform business models, drive greater customer interaction and collaboration and thus create competitive advantage for companies (Wind, 2008). Finally, it is assumed that today’s postmodern businesses have to create business models according to both the termed pervasive transformations on the Internet (Winer, 2009) and a ‘new breed of consumers’ (Wind, 2008). This new group of consumers is mainly referred to as Generation Y. The two intertwined concepts of the digital revolution and Generation Y influence each other mutually, and thus demand aligned business models that fit into the aforementioned transformations. As Generation Y consumers also represent the study’s target group, an extensive examination of this group will provide necessary background information for the purpose of this research.

2.1.2 Generation Y

Different generations are characterized by distinctive traits (Yeaton, 2008). Yet, due to shared experiences in their lives, members belonging to the same generation share certain attitudes and perspectives. These attitudes and perspectives are largely influenced by broad national trends in political, business, and cultural or technological environments. Together, they all play a significant role in shaping a generation and its cognition (Yeaton, 2008). Concomitant with that, a new demanding and rather proactive generation developed over the past 30 years.

This particular generation is mostly referred to as Generation Y or Gen Y, owing their name to their habit of calling everything into question instead of accepting it to be a fact (Howe & Strauss, 2000). Further terms are ‘why generation’, ‘digital natives’, or ‘millennials’. These names derive from their traits and characteristics or the background they grew up in (Williams & Page, 2011). Born between 1979 and the late 1990’s (Levenson, 2010), ages of people belonging to this generation range from 14-32 this day. According to Myers and Sadaghiani (2010) Generation Y not only outnumbers its predecessor Generation X but also differs remarkably regarding its expectations, preferences and attitudes. Formed by cultural, social and economic trends, Generation Y was further influenced by rapid technological advances and globalization when growing up (Eisner, 2005; Thompson & Gregory, 2012; Williams & Page, 2011).

As the 1980s were an era characterized by the notion of ‘the wanted child’ and considerable concern was put on the growing youth safety movement and a general wellbeing of children

as well as them being their parents sense of purpose, the so-called 'millennials' received much more attention than its foregoing generations Generation X and the Baby Boomers (Howe & Strauss, 2000). Exemplary, it was generic that parents treated their children as individuals by birth and allowed and encouraged them early on to make their own decisions (Hill, 2002). In a broader sense, children always experienced support from their parents and grew up isolated from failures, enjoying a generally safe childhood. (Hill, 2002; Levenson, 2010; Nimon, 2007). Oversupervision, highly structured lifestyles and the notion of being 'special' and 'winners' resulted in a very confident generation with a strong sense of entitlement (Bristow et al. 2011; Gardner & Eng, 2005).

Parents increasingly went to considerable length to protect their children from losing self-esteem, which additionally fostered their willfulness in following their own ways (Howe & Strauss, 2000; Levenson, 2010). Growing up that way brought forth a set of traits that is specifically distinctive for Generation Y. They tend to have high, possibly even inflated self-esteem and are very confident (Thompson & Gregory, 2012; Yeaton, 2008). Owing to the way they were raised, they are constrained to show and disseminate their personal opinions, experiences and thoughts (Cheese, 2007) and therefore exhibit a great deal of assertiveness (Yeaton, 2008). Moreover, people belonging to Generation Y are considered to be opinionated and adopt rather critical attitudes to notions they are exposed to (Bristow et al. 2011; Nimon, 2007; Wolberg & Pokrywczynski, 2001).

Technically literate, affluent and generally educated makes the 'digital natives' quite goal- and achievement-oriented (Bristow et al. 2011; Yeaton, 2008). Beyond that, Hershatter and Epstein (2010) claim that autonomy, independence and freedom of movement are designating attributes for Generation Y individuals. Eisner (2005) further adds that social awareness can increasingly be noticed among 'millennials'. This social behaviour engendered a greater emphasis on acceptance and meaningful relationships. Accordingly, more emphasis is put on bonding, connecting and exchanging with peers (Thompson & Gregory, 2012; Williams & Page, 2011), which Martin and Tulgan (2006) complementary construe as non-passive engagement. Social networks are thus of great importance and both honesty and openness are stressed to a great extent (Williams & Page, 2011). They have a strong sense of civic-mindedness and search for integrity as well as morality (Cheese, 2007; Yang & Guy, 2006; Yeaton 2008).

Considering Generation Y's purchasing behaviour it can be noticed that money is willingly spend on leisure, and in general, people rather spend their money to live than amass savings for future times (Bristow et al. 2011). Another key attribute found among Generation Y is authenticity (Hershatter & Epstein, 2010). Driven by the urge to be individualistic, self-interest and self-realization seem to be main drivers of action. Self-actualized behaviour is thus stimulating the generations' need for self-fulfillment. Associated with this, symbolic benefits tend to be more valued than functional benefits (Hill, 2002). As getting attention never was an issue, Generation Y continuously wants to be approached individually (Cheese,

2007). Hence, customization as well as tailored content and messages almost seem to be expected. Recommending, advocating and sharing content are deemed to be appropriate and meaningful, and accordingly collaboration and engaged interaction can be ascribed to this generation, and particularly to their online user behaviour (Nimon, 2007; Williams & Page, 2011; Yeaton, 2008).

Being technologically savvy, the Internet is not merely seen as a tool but represents an integral part of the 'digital natives' personal as well as work life (Gardner & Eng, 2005; Wesner & Miller, 2008). The Web and its advancing media imply an increased use of new forms of communication, and in general represent the primary source of information for Generation Y consumers (Bernauer et al. 2011; Nimon, 2007). Moreover, since they are constantly searching for customized, collaborative content, the Internet offers convenient options for personalized interaction and customer engagement (Hershatter & Epstein, 2010). Despite their generic social attitude software piracy and other illegal behaviour on the Internet are widely tolerated by Generation Y consumers. Freestone and Mitchell (2004, p. 126) found that they seem to be more permissive of these matters because "they feel that they are doing no direct harm to sellers, as they cannot see the direct economic consequences of their actions".

On the one hand, one might argue that Generation Y consumers generally show social attributes and continuously strive for authenticity, altruism and community in society (Holt, 2002; Kotler, 2010). Thus, the PWYW pricing model is likely to be appreciated by them, as it leads to a society that is more trusting, and additionally to businesses that put more faith in their customers. (Arvidsson, 2005; Vargo & Lusch, 2004). Consequently, this generation might adopt and value the PWYW pricing mechanism, and voluntarily pay positive amounts, precisely for the reason that there is no extrinsic pressure that forces them to do so.

On the other hand, people in general, and particularly Generation Y consumers perceive the Internet as a free-of-charge culture and thus are more permissive of prohibited downloading. Freestone and Mitchell (2004, p. 126) found that within Generation Y, individuals claim that "they are doing no direct harm to sellers" and even argue "that they are the victim of inflated software, music or movie prices". For one thing, they do not see the direct economic consequences of their actions, and for another they blame the industries for keeping prices artificially high (Freestone & Mitchell, 2004). Finally, it can be noticed that Generation Y shows traits differing in nature from each.

Even though a number of attributes support their endorsement for the PWYW phenomenon few others dissent this notion. Solely relying on their attributes and perspectives is thus no sufficient evidence to assume and assert that the PWYW pricing model will be adopted but not exploited by Generation Y. Therefore it is critical to explicitly explore the underlying reasons and motivations that affect Generation Y consumers' paying behaviour under PWYW conditions. As a result, an in-depth insight into the background of motivation theory will be given in the following section.

2.2 Motivation Theory

Building on the foregone, this section gives insights into motivation theory, particularly the dichotomy of extrinsic and intrinsic motives as well as to linked self-image and social-image concerns in order to generally receive a better overview of consumer motives in the context of the PWYW phenomenon. Given the fact that this research aims to explore the motivational and behavioural drivers of the PWYW pricing mechanism, motivation theory and identity formation are accurately examined and in focus of the theoretical framework.

Motivation theory is concerned with the reasons why people do what they do. In other words, the central focus of motivation theory lies on the ‘why’ of the behaviour, and thus motivation can be defined as an inner drive (wishes, desires and goals) that activates consumers ‘to move’ in a specific behavioural direction. In short, motivation can be considered “the purpose for, or psychological cause of an action” (Schacter, Gilbert & Wegner, 2008, p. 325). In this regard, when using the PWYW pricing mechanism consumers are motivated to act or behave in a specific manner, and thus their paying behaviour can be ascribed to these motives. Understanding those particular motives relevant to the PWYW pricing model is crucial in the study at hand.

During the last decades authors made use of the classic distinction between intrinsic-extrinsic dichotomy when discussing the concept of motivation (Deci & Ryan, 1985; Deci & Ryan, 2000). In academic literature numerous studies are founded on this well-established typology of human motivation. Although the researchers are aware of the fact that different motivation theories and typologies exist, the present study follows the ‘self-determination theory’, which is based on the classification of the dichotomy of intrinsic and extrinsic motives. As a result, recommendations can be given whether people are merely acting fair when somebody is watching or if it is an inner feeling to pay something for its own sake. Furthermore, the distinction between these two types of motives perfectly illustrate whether the motives derive from the self or external factors.

Intrinsic motivation is defined as the “inherent tendency to seek out novelty and challenges, to extend and exercise one's capacities, to explore, and to learn ... in the absence of specific rewards” (Deci & Ryan, 2000, p. 70). Additionally, intrinsically motivated consumers act out of personal interest, due to the fact they found a task inherently enjoyable and the activity is able to produce spontaneous self-satisfaction, which can be explained as “com[ing] from the organism itself, arising and persisting in the absence of external events ...” (Lepper et al., 1997, p. 24).

Contrary, extrinsic motivation is an “acquired and task-exogenous type of motivation” where consumers orient towards an activity because the activity is performed with the aim of receiving a reward separable from the activity itself (Lee et al., 2012, p.69). In this connection, individuals have learned that in the past, engagement was connected to attractive

or unattractive environmental consequences such as “promised reward, praise, critical feedback, deadlines, surveillance, or specifications on how the work is to be done” (Amabile, 1993, p.189, Deci & Ryan, 1985). Hereby, it has to be noticed, that although the reward may be based on the work itself, motivators are external both to the activity as well as to the individual performing it.

Further, according to ‘self-determination theory’ an ‘overjustification effect’ occurs when external factors such as money or prizes have been placed on a task and therefore an individual’s intrinsic motivation declines (Amabile, 1993; Deci & Ryan, 1985). This in turn includes that people pay more attention to external rewards than to the inherent enjoyable activity itself. The theory is supported in Amabile’s et al. (1996) research on how the environment affects creativity. They claim that extrinsic motivators can ‘undermine’ pre-existing intrinsic motivation. In this regard, imposed goals, threats or deadlines are considered as factors declining intrinsic motivation. Nevertheless, opportunities that enable self direction, choice and acknowledgment of feelings assist in the individuals increased feeling of autonomy and thus help to increase intrinsic motivation (Deci & Ryan, 1985).

All in all, extrinsic motivation can be understood as an incentive-based and task-exogenous type of motivation to achieve a certain outcome, for instance monetary rewards or fulfilling a social norm. This in turn, as noted before, is entirely contrasted to intrinsic motivation, which is described as “behaviour ... carried out to benefit another without anticipation of rewards from external sources” (Macaulay & Berkowitz 1970, p. 3). It is assumed that the distinct motivations represent a consumer’s specific needs, and that people are not only varying in the orientation of motivation (what type of motivation) but also in the level of motivation (how much motivation) (Deci & Ryan, 2000).

The dichotomy of intrinsic and extrinsic motives on the PWYW phenomenon has not been applied yet, and thus theory in this field remains in a very early stage. To the knowledge of the researchers, there are no studies that compare the different constructs and concepts of the PWYW pricing mechanism across online and offline environments. Influencing factors on prices paid concerning the PWYW pricing model in offline environments have been analyzed in Kim, Natter and Spann’s (2010) experimental research before. Several of these identified factors and motives will be used as a starting and orientation point for the exploratory research in the present study. Existing motivation literature will be reviewed and integrated. Further, a distinction is made between the two types of motives (extrinsic and intrinsic) in order to build a theoretical framework that will assist in the subsequent analysis of the focused interviews. Hereby, to prevent confusion and guarantee uniformity of further results, the categorization of possible motives is based on a clear and simple distinction between intrinsic motivation (stimulated from the inside, for instance altruism or fairness) and extrinsic motivation (stimulated from the outside, for example income or social norm).

2.2.1 Intrinsic Motives

Supposing that intrinsic motivation is something that derives from the inside of an individual due to personal interest or pleasure for the task itself, several concepts and theories are counted among this type of motivation and will be explained more detailed in the following.

Numerous studies have emphasized the importance that consumers are strongly driven by the concept of *fairness and reciprocity* (Andreoni & Miller, 2002; Bolton & Ockenfels 2000; Rabin 1993). For instance, Rabin (1993) developed the theory of the ‘fairness equilibrium’, which constitutes people reciprocating kind intentions that are expressed by kind actions. In other words, individuals are willing to help those who helped them and hurt those who hurt them (Rabin, 1993). Other concepts descending from microeconomic experiments, such as the ‘ultimatum game’ emphasize these assumptions (Bolton, 1991; Heinrich, 2000; Roth, 1995). In this so-called ‘ultimatum game’ in which two players interact - an allocator and a recipient – the allocator has to decide how to split a certain amount of money between the two players. The allocator proposes an allocation, and the recipient either accepts or rejects the proposed offer. However, if the recipient rejects the proposal, neither of the players will obtain anything. If the recipient accepts the allocation, the money is split according to the offer. Corresponding to the ‘homo economicus’ model in neoclassical economic theory, which assumes individuals maximizing utility, one would expect that people offer the smallest possible amount of money, and the recipient accepts this proposal, as a small amount of money is better than no money at all (Kim, Natter & Spann, 2009). Nonetheless, experimental evidence shows that the allocator generally offers a relatively large amount of money to the respondent (often a 50:50 split), and that offers of less than 20 percent are often rejected by the recipient (Thaler, 1988). This anomalous and unexpected human behaviour can be explained by ‘equity theory’ and provides important insights into human behaviour, meaning that people are acting as social human beings rather than in a strictly utilitarian and selfish manner as supported in the ‘homo economicus’ model. ‘Equity theory’ attempts that individuals seek to maintain equity between perceived inputs and outcomes of an allocation (Adams, 1965). The hypothesis behind this theory is that people value fair treatment, which forces them to keep equality within interpersonal relationships and thus provides further evidence for the more recent ‘homo reciprocans’ model. In the context of the PWYW online phenomenon, one might argue that when a seller offers a product under the PWYW pricing mechanism, and the product offers value to the buyer, he/she will interpret this action as kindness and thus will reciprocate this activity in the form of money.

Furthermore, another concept counted among intrinsic motives is *altruism*. Altruism is defined as a social behaviour of helping other individuals and doing good without being rewarded or receiving the benefits of recognition (Maner & Gailliot, 2007), even though it might sacrifice one’s own welfare. This construct has long been discussed in various

academic fields such as economics, evolutionary biology and psychology (Monroe, 1996). All three fields assume that the norm of social behaviour is self-interest, and therefore the concept of altruism in its purest form simply does not fit in these conceptual paradigms (Lenzer, 1975; Monroe, 1996). Nevertheless, evidence for the existence of altruism is found in the form of 'pure' gift giving, which is one that comes with absolutely no strings attached (Gouldner, 1960). Such 'pure' gift giving can be observed between close family members and marriage partners as well as members of native tribes (Sahlin, 1972; Sherry, 1983). Additionally, altruism is evident in various charity activities. For instance, the total giving to charitable organizations such as child and animal protection in the US was \$298.42 billion in 2011 (Charitynavigator, 2013).

Further, researchers at the National Institute of Neurological Disorders and Stroke in Bethesda, Maryland found out that donating money to charity rewards consumers' brains on a neural basis (The Economist, 2006). It was diagnosed that the same parts in the brain were active when donating that are also responsible for allotting dopamine-mediated euphoria, which is associated with sex, money, food and drugs (The Economist, 2006). Additionally, donating also engaged a part of the brain that is active when a mother is bonding with her child or in situations between couples. Therefore, it can be assumed that altruistic characteristics exist and based on a physiological foundation are able to produce a 'good feeling'.

Experimental findings underline these neurophysiological results, which can further be explained in the 'dictator game' (Andreoni & Miller 2002; Bolton, Katok & Zwick 1998; Forsythe et al. 1994). Contrasted to the previously mentioned 'ultimatum game', the 'dictator game' is a one person decision task, which means that the allocator decides how to distribute the amount of money between him/her and the recipient in an anonymous situation. The responder's role is therefore entirely passive and he/she simply has to accept the endowment left by the 'dictator'. Again, in the view of the 'homo economicus' model one would believe that the 'dictator' would take all money leaving nothing for the opposite player. However, laboratory studies of the 'dictator game' actually show that the modal amount left is as high as 30 percent (Bolton, Katok & Zwick 1998; Zizzo, 2010). These data provide empirical evidence that consumers possess characteristics of altruistic behaviour, and thus the recent model of 'homo reciprocans' would provide a better explanation for individuals' behaviour. Nevertheless, other researchers versed with this issue, and argue that the reason for this altruistic behaviour derives from the moral and social impact of the experimenter's observation (Bolton, Katok & Zwick 1998). This is to say, the 'dictator' might not want to be labeled greedy or excluded from future experiments, which could result in a loss of "future income, or perhaps a negative assessment simply evokes a sense of social stigma" (Bolton, Katok & Zwick 1998, p. 270). Either way, the 'dictator' would have been extrinsically motivated instead of expressing pure altruistic behaviour.

Previous literature also puts emphasis on the construct of *satisfaction*, which focuses on the value that a product offers for the customer. This means, customer satisfaction is “an evaluative, global level judgment that occurs after an offer has been consumed and a subjective state of mind with a potential to affect behaviour” (Biel, Garling & Marell, 2010, p. 172). Consequently, numerous researches provide evidence that consumer satisfaction and utility increase when a product or service is perceived as high in quality. As a consequence of that, positive as well as higher prices might be paid (Anderson, Fornell & Lehmann 1994; Bolton 1998; Homburg, Koschate & Hoyer, 2005). In the context of the PWYW phenomenon, the theories suggest, when consumers are satisfied with the music (on many platforms it is possible to listen to the music before) or the videogame it is expected that they pay positive and higher prices.

With regard to the link between satisfaction and loyalty, the concept of *loyalty* might also have an impact on a consumer’s willingness to pay. Several studies suggest, if consumers have emotional relationships and exhibit sympathy towards sellers it can be assumed that the buyer might voluntarily pay a certain amount of money instead of paying nothing at all (Chaudhuri, 1999; Conlin, Lynn, & O’Donoghue, 2003; Kim, Natter & Spann, 2009). The exhibited loyalty for a certain artist might also influence the level of prices paid.

2.2.2 Extrinsic Motives

As noted above, extrinsic motivation is different from intrinsic motivation, defined as “motivation promoted by factors external to the individual and unrelated to the task being performed” (Ormrod, 2006). In this study, extrinsic motivation is concerned with executing a certain activity because of external motivators. In the following, possible external factors influencing consumers’ paying behaviour under PWYW conditions are investigated.

A very basic explanation for higher levels of charitable giving is grounded in the availability of financial resources. Therefore, it is widely recognized that the *income* of consumers has an impact on their voluntary paying behaviour (Bekkers, 2004; Wiepking, 2007). The argument for this fact is simple: in order to give money away a certain level of income and wealth is necessary. Several studies illustrated that higher levels of income and more wealth lead to higher charitable giving (Rooney, Steinberg & Schervish, 2001). In this context, it can be assumed that financial resources and income of individuals might have an impact on paying behaviour as well as on the level of prices paid.

Furthermore, several studies have illustrated that *social norms* such as tipping or gift giving are external motivators for economic behaviour (Azar, 2005a; Mitrut & Nordblom, 2007). Consumers tip mainly because it is an established social norm to tip the service personnel,

whereas the level of the tip depends on occupation, country and establishment level. Interestingly, in this connection, research emphasized the fact that consumers also tip for poor service because they feel social pressure to behave that way, and often justify their behaviour by the dependence of the service personnel. For instance, in a recently conducted online survey the question ‘Do you feel pressured to tip at a restaurant even if you feel you received bad service?’ was affirmed by 69 percent of the total respondents of 3778 participants (Azar, 2005a). This also implies that ignoring social norms results in negative and uncomfortable feelings such as embarrassment or guilt (Azar, 2005b). The impact of social norms can further be regarded in gift-giving. Ideally, a gift would come in its purest form without any obligation to exchange another gift or favor in return. However, in Western societies social norms and cultural traditions that encourage gift giving exist. In other words, even if the action of gift giving is free by definition, once consumers have obtained gifts they might feel a social obligation to return something. As noted earlier, pure gift giving based on empathy between close family members derives from concepts of altruism, while another important explanation for gift giving is the external and moral pressure in society to act according to others expectations (Mitrut & Nordblom, 2007). The existence of such external social norms might therefore be another justification to voluntarily pay under PWYW conditions.

As mentioned earlier, for a positive payment without coercion *interpersonal contact* between a seller and buyer is considered a main factor. It is widely recognized, that people might more likely pay in offline environments under PWYW conditions because they have personal and direct contact with a waitress at a restaurant or a cashier at a museum (Gneezy et al., 2012; Kim, Natter & Spann, 2009). Further, microeconomic experiments suggest that face-to-face interaction between a customer and seller also has an impact on the paying behaviour (Bolton, Katok & Zwick 1998; Kim, Natter & Spann, 2009). Customers fear to be labeled miserly in interpersonal situations, such as paying in front of a waitress or museum employee. Therefore, personal contact between a seller and buyer is expected to influence paying behaviour under PWYW conditions. Here, the question remains whether positive voluntary payments would also be performed in a setting that implicates anonymity and no personal contact.

Having considered these theories and arguments, the PWYW pricing model might be a promising online pricing strategy if Generation Y consumers express a sufficient level of intrinsic motivation, because the paying process is performed in private without any social pressure or moral authority. If individuals are more extrinsically motivated when paying in an online environment, the PWYW model might not be suitable as an online pricing strategy. The systematically reviewed and discussed motivation literature will assist the researchers in recognizing and categorizing the upcoming findings as well as remaining open for other possible motives (see Figure 3-1).

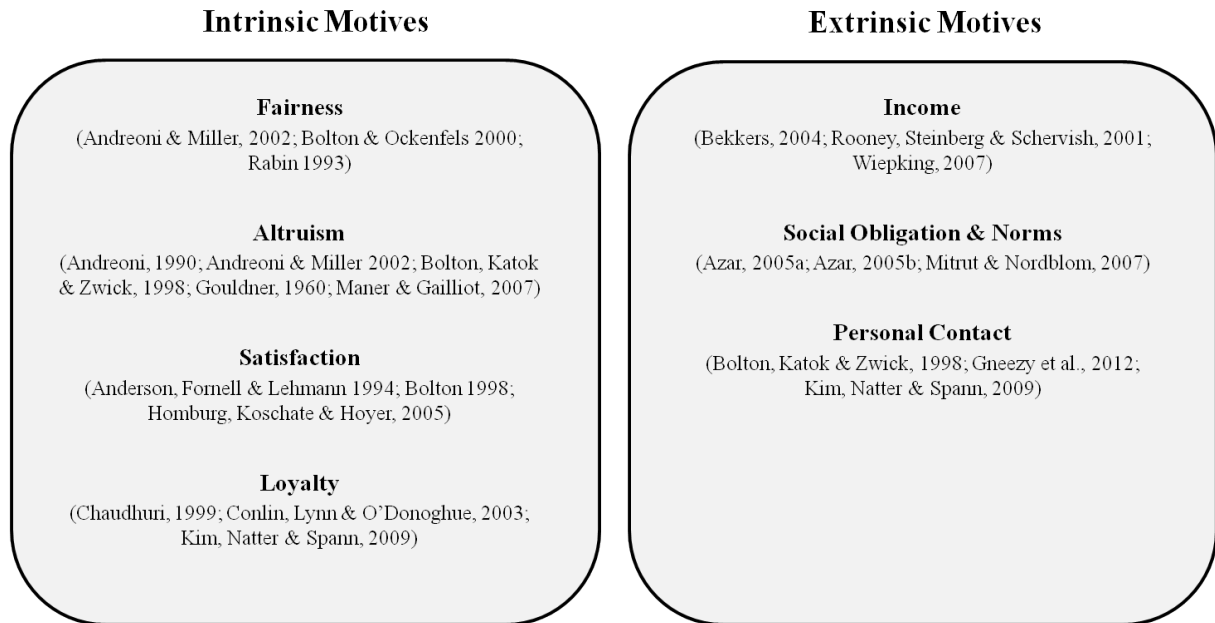


Figure 3-1: Conceptual Framework adapted and developed from Kim, Natter and Spann (2009)

All in all, the researchers need to shape their lens in order to understand how (what type of motivation) consumers are motivated, and which type of motivation predominates (relation of motivation) when either paying voluntarily or, in contrast, paying nothing at all under PWYW conditions.

2.2.3 Identity Construction

The prevailing postmodern and strongly digitalized era presents new challenges for individuals including the construction of their selves and identities. Understanding the deviances of contemporary postmodern society and its deep impact on consumer identity construction is an essential aspect in the study under investigation.

From a postmodern perspective identity is no longer predetermined and becomes a more and more unstable and fragile construct. In today's society people are therefore confronted with a new source of uncertainty in contrast to pre-modern societies in which identity was considered as "fixed, solid and stable" (Keller, 1992, p. 141). Accordingly, Keller (1992, p. 141) argues that in pre-modern societies "identity was a function of predefined social roles and a traditional system of myths, which provided orientation and religious sanctions to one's place in the world, while rigorously circumscribing the realm of thought and behaviour". Subsequently, in modernity identity became rather mobile, multiple and self-reflexive but still remained relatively substantial and fixed due to a circumscribed set of roles and norms (Keller, 1992).

In the following postmodernity, social conditions such as the rise of new media and technologies and the dominance of consumerism forced the development of the fragmented and shifting self (Arnould & Price, 2000; Lyon, 1999). Numerous scholars provide evidence

that consumers use consumption to form and reform their identities in postmodern society (Featherstone, 1991; Firat & Venkatesh, 1995, Slater, 1997). The dominance of consumerism in current society is often referred to as a 'consumer society' in which status and identity are acquired as well as social inclusion or integration are considered to be achieved through consumption (Elliott & Wattanasuwan, 1998). Consumption has pervaded nearly every aspect of the individual's social life and society and offers liberating possibilities for constructing identities (Sandberg, 2010). Further, with the advent of new technologies, digital environments such as social networks have emerged and provide a unique opportunity for self-presentations of consumers. At the same time, owing to these possibilities, consumers make their identities tangible "associating themselves with material objects and places" (Schau & Gilly, 2003, p. 385). Consequently, through the progression of consumption, growing critique among scholars occurred and the current postmodern consumer society is characterized as a 'culture of narcissism' (Lasch, 1991) living under the conditions of an "advertising propaganda machine" (Halton & Rumbo, 2007, p. 315). Critique against capitalism is expressed in numerous non-conformist acts of consumption such as 'downshifting' (Holt, 2002, Kozinets, 2002). 'Downshifters' are people that voluntarily choose to consume less, escape from obsessive materialism and often engage in a corporative lifestyle focusing on personal fulfillment and relationship building rather than economic success (Nelson et al., 2007). This phenomenon is expressed in the increasing number of car pooling organizations, community gardens or trade systems designed to help members to consume fewer goods (Michelletti & Isenhour, 2010). Another example for this trend is emphasized in the increasing interest of festivals such as 'Burning Man' or 'Fusion'. These are anti-market events where people use alternative exchange practices, and position consumption as a self-expressive art in order to quench their great thirst for authenticity and 'Gemeinschaft' (Corrigan, 1997; Kotler, 2010; Tönnies, 2002; Kozinets, 2002).

Never in history of humankind global socio-historical change has had such broad reach and impact on the self and identities (Arnould & Price, 2000). In this regard, individuals seek a healthy balance in preserving a sense of identity in this postmodern, complex and fast changing world (Arnould & Price, 2000). In order to attain self-fulfillment they search for authenticating acts, products and techniques to cope with this new environment (Arnould & Price, 2000). In response to this uncertainty and ambiguity of the world, consumers in the new millennium expect more sensitivity, honesty and authenticity from businesses, and will more likely appreciate those that will respect democratic values as well as offer novelty and individuality (Chandran & Moritz, 2005; Holt, 2002; Kotler, 2010).

2.3 Theoretical Lens

Through the developed theoretical framework the researchers constructed a lens, which supports them in the following discussion and interpretation of the empirical data in chapter four. The previously discussed constructs of CCT, the digital revolution, Generation Y and motivation theory will be interrelated and bridged with each other in order to explicitly examine the empirical findings as related to the extensively illuminated concepts that constitute the theoretical framework of this study. The systematically developed lens is based on the construct of CCT in order to explain the 'lifeworld' of the studied consumers. Both fields 'consumer identity projects' and 'marketplace cultures' within CCT will act as a basis when considering the matters of motivation theory and identity construction. In this regard, the complex digital and interactive marketplace builds the place of action and a platform of meaning for consumers. This offered stage supplies them with numerous resources for self-expression and identity construction (Schau & Gilly, 2003; Thompson & Arnould, 2005). Consequently, the PWYW pricing model within this 'lifeworld' might be considered as one resource to construct identity.

Together, the illuminated concepts coalesce to understand the empirical findings, and finally assist to answer the research question that is concerned with Generation Y consumers' paying behaviour in an online environment under PWYW conditions.

METHODOLOGY & METHOD

CHAPTER 3

METHODOLOGY & METHOD

According to Mir & Watson (2000) a method is distinct from the concept of methodology. A method is conceptualized as a “tool or a technique that is used in the process of inquiry” (Mir & Watson, 2000). By contrast, the concept of methodology is considered “an intricate set of ontological and epistemological assumptions that a researcher brings to his or her work” (1997, as cited in Mir & Watson, 2000, p. 944). Given that focus, researchers explicitly need to express the appropriateness of their choice of methodology to the issue under study. In the following chapter, the philosophical ontology and epistemology are outlined, which constitute the foundation of the present study. These guiding initial points combined with the purpose of the study are leading to a specific research design and to appropriately selected research methods. Finally, the limitations of the research design and the explanation of secondary data sources will be presented.

3.1 Methodology

In this part the methodological position will be outlined in order to provide a fundamental basis for the following method. Without giving the methodological clarifications in the beginning of the research, the study might run the risk of being perceived as opaque and ambiguous. In the following, the researchers will go into particulars about both the epistemological and ontological view as well as the ensuing research approach, all constituting the methodological position.

3.1.1 Epistemological Position: Interpretivism

On the basis of the fact that the researchers investigate the phenomenon of the PWYW pricing mechanism from the perspective of CCT, the focus of the study lies on the analysis of consumer motives, meanings and feelings as well as on how they derive identity from their culturally and socially constructed world. Given that focus, the research questions of the study points to an interpretative epistemology which puts emphasis on the complexity of the consumers’ social and cultural world opposed to the world of science and technology with an observable social reality in a positivist philosophy. Additionally, the social world of consumers emerges too complex to lend itself to theorizing by definite laws in the same way as carried out in a positivist angle of natural science (Saunders, Lewis & Thornhill, 2009). A positivist methodology would not allow the researchers to receive deeper insights into consumer motivations and social surroundings as well as it would not unravel their meanings.

In this context, Orlikowski and Baroudi (1991) point out that “interpretive studies assume that people create and associate their own subjective and intersubjective meanings as they interact with the world around them ...”. According to this statement, the study investigates how consumers generate meaning for themselves such as deriving utility from pro-social behaviour under the PWYW pricing mechanism in order to construct certain identities and lifestyle ideals. Following the interpretivist epistemology, knowledge is defined as derived from subjective meanings and unique social phenomena where there are no single right or wrong references. Therefore, the research focuses on details of particular situations of consumer experiences and the reality behind it, and the subjective meanings, which motivate actions (Saunders, Lewis & Thornhill, 2009). With this in mind, the study applies the epistemology of interpretivism in which the emphasis lies on understanding human behaviour (Easterby-Smith, Thorpe & Jackson 2008). More precisely, the research desires to achieve a better understanding of the causes (e.g. motivations) and effects (e.g. self-image, social image, identity construction) of consumer actions regarding the PWYW pricing model.

Furthermore, in line with interpretivism the researchers adopt an empathetic stance and enter the social world of the studied consumers in order to understand their world from their point of view (Bryman & Bell, 2008; Saunders, Lewis & Thornhill, 2009). That is, the researchers see the phenomenon of PWYW through the lens of the interviewees as well as they become a part of what is being studied. This matter of fact is highly appropriate when studying human behaviour and complex situations. The research is therefore founded on an essentially interpretivist epistemological position and the PWYW phenomenon will be investigated as a construct that is used to make sense of social actions.

3.1.2 Ontological Position: Social Constructionism

Social constructionism is based on a relativist perspective and emerged thirty years ago as a contrast to the realist stance (Hammersley, 1992). It is rooted in sociology and has been associated with the postmodern era of qualitative research. Moreover, social constructionism proposes that each individual constructs the world of experiences through social interaction as well as these constructs are in a constant state of revision (Bryman & Bell, 2008, Saunders, Lewis & Thornhill, 2009; Young & Collin, 2004). As the focus of this research is concerned with the understanding and analysis of consumer motives and divergent environments influencing these constructs, the study adopts the ontological position of social constructionism, which asserts “that social phenomena and their meanings are continually being accomplished by social actors” (Bryman & Bell, 2008, p. 23). ‘Social actors’ such as consumers in this study might have different interpretations on specific situations as a consequence of their own view on the world. This in turn influences and affects their actions and social behaviour. Consequently, the researchers seek to understand the subjective reality

of the interviewees in order to make sense of their underlying motives, beliefs, actions and intentions in a meaningful manner (Saunders, Lewis & Thornhill, 2009).

Additionally, this implies that knowledge is constructed and understood by individuals and thus cannot be regarded as indeterminate. In other words, as social interactivity is in a constant change, and hence continually being renewed, the researchers will simply present a specific version of reality (Bryman & Bell, 2008; Easterby-Smith, Thorpe & Jackson 2008). In line with social constructionism, the researchers acknowledge that their perspectives of the social world only represent a specific version of social reality, and as such the results of the analysis will reflect the researchers' views. Accordingly, this study is only able to illustrate a specific version of reality at a specific time without making claim of definitiveness and absolute finality as the researchers only provide interpretations of other interpretations (Bryman & Bell, 2007). In accordance with Orlikowski and Baroudi (1991), the researchers acknowledge the fact that they are not able to provide a value-neutral study since they will always be involved in the research process. Nevertheless, the theoretical framework in the previous chapter provides the researchers with the appropriate scientific perspective, and thus the studied phenomenon will be addressed adequately and systematically.

Furthermore, in line with CCT and the epistemological position of interpretivism, social constructionism considers culture as an internal reality that acts on people. More precisely, culture is considered as something that an "organization 'is' as a result of a process of continuing social enactment" (Saunders, Lewis & Thornhill, 2009, p. 111). According to Becker (1982), culture is continuously created by people as well as it shapes consumer perspectives and acts as a point of reference. Thus, the ontological standpoint of social constructionism is specifically appropriate within the framework of CCT. Particularly this constitutes a broader research perspective and looks beyond the single individual. Moreover, consumers are conceived as 'culture producers' and 'interpretative agents' (Holt, 2002; Thompson & Arnould, 2005). Accordingly, in this study the meanings and motives that are attached to the PWYW phenomenon by 'social actors' need to be understood through the lens of the CCT perspective as a basis to explain identity constructions within the consumers' 'lifeworlds'.

3.2 Methods

Succeeding in the methodological choice of this research, the study proceeds with an appropriate research design, tools and techniques that are required to reveal the consumers' underlying reasons and motives as well as their behaviour in divergent settings.

3.2.1 Exploratory & Qualitative Research Design

As the purpose of this research is to gain familiarity with the new phenomenon of PWYW in the online environment, the researchers decided to apply an exploratory research approach with a triangulative multi-method design, which is described as flexible and strives to develop new knowledge (Easterby-Smith, Thorpe & Jackson 2008; Kotler et al. 2008; Uys & Basson, 1991). The approach is supported by the fact that only a limited number of previous studies in this research field exist, and thus exploratory research is a useful preliminary step to provide a basis for future hypothesis and studies. According to Schutt (2011, p. 13), exploratory research “seeks to find out how people get along in the setting under question, what meanings they give to their actions, and what issues concern them”. The objective hereby is to learn 'what is going on?' and to investigate social phenomena without explicit expectations (Schutt, 2011). In view of that, the researchers aim to find indications to the 'why', 'how' and 'when' of the PWYW phenomenon by no means intended to be exhaustive or all inclusive.

Furthermore, the research question as well as the research design both indicate the application of an abductive approach, which is considered as fruitful when discovering new phenomena (Dubois & Gadde, 2002). Hence, the analysis of the gathered data is guided by the theoretical framework constructed in chapter two, and allows the researchers to align the conducted data with existing theory such as motivation and identity theories to obtain a deeper understanding (Alvesson & Sköldberg, 2009). The empirical data is systematically aligned with existing theoretical concepts in a so-called iterative process in order to investigate the PWYW pricing mechanism in a scientific manner (Alvesson & Sköldberg, 2009).

Due to the fact that qualitative methods are less influenced by strict guidelines and directions, exploratory techniques linked with a qualitative approach are particularly suited for this study (Easterby-Smith, Thorpe & Jackson 2008). This matter of fact allows the researchers to be creative in the choice of the methods and provides access to information sources, and ultimately to unexpectedly important topics, which may not have been visible before. A novel phenomenon such as the PWYW pricing mechanism could not be illuminated appropriately by a structured strategy (Bryman & Bell, 2007). Furthermore, the study seeks to understand human motives linked to consumers' identity construction, and is thus concerned with the meaning of the social action instead of the action itself (Bryman & Bell, 2007). As a result, the focus of the research lies on words in order to understand the interviewees' social world and not on applying measurement procedures to social life. In this connection, it is essential to have close involvement with the people who are investigated, so that the researchers can understand the world through their eyes. Further, qualitative research is applied because it allows the researchers to immerse in the socio-cultural dimension of consumption that is not plainly accessible through quantitative research. Therefore, the exploratory and qualitative research design is particularly suited for this study as it gathers in-depth data to gain insight into the motivations of individuals and ultimately describes the novel PWYW phenomenon adequately (Bryman & Bell, 2007; Easterby-Smith, Thorpe & Jackson 2008).

In fact, quantitative research lacks relevance for studying social contextual conditions, because it is not sufficiently dedicated to describe details, such as motivations and identity construction (Bryman, 2001). Additionally, consumers are usually neither willing to communicate nor aware of the underlying motives affecting their behaviour and consumption choice (Solomon et al., 2006). As a result, it would not be reasonable to prepare a survey including a set of questions. In a standardized questionnaire the choice of questions are selected by the researchers and thus based on their assumptions. Further, when answering questionnaires participants often respond in accordance to social norms or in a manner in which the interviewees believe the researcher would desire. This effect, namely the ‘social desirability effect’ might particularly occur when asking questions about a controversial topic such as the PWYW phenomenon. In this context, it has to be noticed that consumers often do not behave consistently with their expressed opinion, because they may feel embarrassed and do not want others to know about their true behaviour (Bryman & Bell, 2007, Ulwick, 2002). As the PWYW phenomenon deals with theories of motivation and identity construction as well as spontaneous actions in the process of consumers’ paying behaviour, survey techniques are not able to capture this complex social reality appropriately and thus will not be applied. The social phenomenon of PWYW cannot be explained in isolation or by clear cause-effect relations.

Having considered these aspects, a qualitative research design is applied, as it is particularly suited for the study at hand, and additionally is in line with the study’s philosophical standpoint of the social constructionist ontology, which “embodies the view of social reality as constantly shifting emergent property of individuals” (Bryman & Bell, 2011, p. 27). In the present study, reality is conceived as constructed and subjective. Ultimately, the world requires interpretation from the perspective of those people who are being studied. In other words, the researchers will understand reality through the eyes of the study’s participants, but also use theoretical concepts as a basis to explore the phenomenon in a systematic and scientific manner.

The overall goal of the research design is twofold. In the first part focused interviews are used to obtain an understanding of complex human behaviour under the PWYW pricing mechanism and therefore, develop a comprehensive set of in-depth motives along the two dimensions of intrinsic and extrinsic response. This developed set provides the theoretical foundation for the forthcoming quasi-experiment, which was conducted in offline and online environments, and thus investigates the relation between the previously developed dimensions of intrinsic and extrinsic motivation. Consequently, recommendations and suggestions whether the PWYW model is applicable to the online environment will be presented. The following sub-chapters contain a more detailed outline of the chosen methods.

3.2.2 Focused Interviews

Focused interviews are often used by researchers in exploratory research where little is known about the topic under investigation (Flick, 2006). The purpose of focused interviews is to test and appraise a concrete situation in which the interviewees have been involved before. In this regard, in the beginning of the focused interviews, as well as later in the quasi-experiment, the stimulus of a ‘music website tool’ (see Figure 3-2) was used in order to visualize the novel and innovative PWYW pricing mechanism (Flick, 2006). Additionally, focused interviews are helpful to explore social phenomena in order to increase the depth of the enquiry and reveal aspects of phenomena assumed to be less accessible otherwise. As the PWYW pricing mechanism is a relatively undiscovered field and only a small number of consumers have used it in an online environment, the method of focused interviewing is considered an appropriate option as it gives insights into what the interviewees consider as relevant, and further sets the focus on how individuals interpret their social world and their view of social reality (Bryman & Bell, 2007; Goulding, 2005). According to Thompson et al. (1989), interviews are among the most powerful tools when attaining an in-depth understanding of consumer’s individualistic opinions, values and beliefs, and gathering detailed and rich information about the issue of matter. Moreover, within the focused interviews a semi-structured guideline is employed, which allows flexibility and gives the researchers the freedom to respond in a way in which the interviewees take them, even though there is a guideline to frame along (Bryan & Bell, 2007).

3.2.2.1 Sampling Method and Participants Selection Criteria

When conducting qualitative research, probability-sampling methods mostly employed for quantitative studies are rarely appropriate. In conformity with the philosophical standpoint of the study, the social world of the participants is considered a crucial aspect. Hence, the aim of qualitative studies is to improve the understanding of complex human issues (e.g. motivations, socio-cultural identity construction), which is hereby conceived as more important than the generalizability of the results. According to Marshall (1996, pp. 524-525) this simple distinction explains “why probabilistic sampling is neither productive nor efficient for qualitative studies, and why alternative strategies are used”. In line with that statement, sampling in qualitative research has to take into account not only the individual characteristics but also “temporal, spatial and situational influences, that is, the context of the study” (Marshall, 1996, p. 524). Consequently, when deciding on the sample for the focused interviews, the researchers considered it more sensible to apply non-probability sampling methods. More specifically, purposeful sampling techniques studying ‘information-rich cases’ for in-depth insights were used (Morgan, 1997; Patton, 2002). Purposeful sampling implies that the researchers select participants based on their knowledge and expertise of the subject under investigation “from which one can learn great deal about issues of importance” (Patton,

1990, p. 169; Polit & Tatano Beck, 2006). This in turn implies, in line with the exploratory research design, that the researchers acknowledge the fact that no claims can be made by generalizing the results from the interviews to a larger population.

Considering the research question and overall objective of the study, the empirical data is collected in accordance with two qualitative sampling strategies: intensity sampling and maximum variation sampling (Suri, 2011). As stated by Suri (2011) and evidenced by the present study mixed sampling strategies can facilitate triangulation as well as flexibility and ultimately complement each other.

The first sampling strategy intensity sampling involves “selecting participants that are excellent or rich examples of the phenomenon of interest, but not highly unusual cases ... cases that manifest sufficient intensity to illuminate the nature of success or failure, but not at the extreme” (Patton, 2002, p. 234). In order to develop a comprehensive understanding of the novel PWYW phenomenon, the researchers selected participants within Generation Y consumers who fulfill criteria such as affinity for digital products and their interest and familiarity in the digital online industry itself. Preferably, the participants have experienced the phenomenon themselves beforehand (Goulding, 2005; Laverty, 2003); although the utilization of the visual and creative element of the ‘music website tool’ offering the PWYW pricing mechanism in the beginning of the interview assisted them to reveal underlying motives and stimulated the participants “to explore their own beliefs”, and finally develop rich and detailed answers (Bryman & Bell, 2007; Easterby-Smith, Thorpe & Jackson 2008, p. 144).

The second sampling strategy ‘maximum variation sampling’ is constructed by identifying key dimensions of variations, subsequently finding participants that vary from each other as much as possible (Suri, 2011). Accordingly, participants were selected regarding different views on the PWYW pricing mechanism. Therefore, the illuminated findings show important shared patterns across Generation Y consumers that “have emerged out of heterogeneity” (Patton, 2002, p. 235). This means that both essential features and key dimensions of Generation Y consumers associated with the PWYW pricing mechanism as well as variable features of the phenomenon were identified. On the word of Suri (2011, p. 68), “presuming that different study designs illuminate different aspects of a phenomenon, maximum variation sampling can be utilized to construct a holistic understanding of the phenomenon by synthesizing studies that differ in their study designs on several dimensions”. In view of that, the researchers selected specific participants among Generation Y consumers that showed various aspects of positive and negative online consumption practices as for instance downloading illegally or possessing pronounced social competences.

In combing these two sampling methods the researchers achieved evidence that adequately addressed the purpose of the study. Furthermore, the two sampling strategies complemented each other to receive more fruitful results. In the context of an innovative online phenomenon

such as the PWYW pricing model, it was also essential that selected individuals were willing and able to contribute to the required information (Stewart & Shamdasani, 1990).

Research in a multilingual context poses ethical and methodological challenges. Likewise, the potential for misunderstanding, and thus threats to credibility of collected data might increase when conducting focused interviews with participants from multiple language backgrounds (Edwards, 1998, Liamputtong, 2008). Therefore, the researchers decided to conduct the interviews in their mother tongue, namely German. This is the language the researchers speak fluently, allowing them to understand specific meanings and cultural viewpoints of the participants appropriately. Consistent with Thomposon, Pollio and Locander (1994), it is crucial to interview people in their native language, especially when talking about a delicate topic as the PWYW pricing mechanism in regards to consumer motivations, feelings and identity construction. Accordingly, to avoid cultural bias, all interviewees grew up in Germany using German as their primary language.

Concerning the amount of interviews, the researchers followed the approach of ‘data sufficiency’. The, by other researchers commonly applied approach of ‘data saturation’ in qualitative research, is a utopist vision, which is frequently reached in primary exploratory research (Suri, 2011). As the PWYW phenomenon is little investigated yet, and only limited research is conducted in this field, the approach of ‘data sufficiency’ occurred more appropriate. In line with Paterson et al. (2001, p. 37), this implies “the data should be sufficient to permit comparisons among selected dimensions and constructs; the reports should reflect the work of several distinct and independent investigators; and the data should be sufficient to answer the research question”. In this connection, the researchers stopped the interviewing process after a sufficient amount of data was collected. In the end, eight interviews were acquired to adequately answer the first sub-question.

As stated by Bryman (2006), empathizing and high-involvement with the interviewees are considered highly positive features when conducting focused interviews to reveal feelings and motives of consumers. The researchers themselves are counted among Generation Y consumers. In this regard, it was obvious to search for appropriate and future interview candidates in the circle of acquaintances of the researchers as these people are mainly German-speaking and belong to Generation Y. As a result, a short and clear email was formulated in advance including five questions concerning digital products, the online industry itself as well as their social activity in order to receive a broader picture of possible future interviewees. As a result, eight appropriate participants were selected in consistence with the previous explained sampling strategies (intensity sampling and maximum variation sampling) to receive significant results (see Table 3-1).

Participant Profiles

Name	Gender	Age	Profession	Online Activity	Interest in digital products	Social Competence	Interview Time
Hannes	Male	29	Software Developer	***	***	**	45 minutes
Anne K.	Female	24	Student in Social Work	**	*	***	50 minutes
Michael	Male	29	PhD Student in Sustainable Accounting	***	***	**	30 minutes
Erik	Male	29	Scientist at 'Fraunhofer Reserach Organization'	***	***	*	90 minutes
Anna	Female	26	Student in Business Administration	*	*	**	30 minutes
Corinna	Female	25	Graduate in International Relations	**	*	***	40 minutes
Sören	Male	27	Export Manager	**	**	**	45 minutes
Annika	Female	25	Human Resource Manager	**	**	*	30 minutes

Less pronounced *

Medium pronounced **

Strongly pronounced ***

Table 3-1: Overview of Participant Profiles

All in all, when studying the innovative phenomenon of the PWYW pricing mechanism with an exploratory stance, the researchers considered it fruitful and advantageous to interview participants with a special expertise in digital products, general affinity for the digital online industry (intensity sampling) as well as a broad range of participants (maximum variation sampling) with different views on the online PWYW phenomenon in order to receive significant results. Furthermore, the interviewees were selected regarding their age (Generation Y) and nationality (German = researchers mother tongue). The noting characteristics a participant had to bring along were selected in line with the purpose of the research study.

3.2.2.2 Designing and Conducting Focused Interviews

Regardless the type of interview, a careful preparation is required to ensure the conducted interviews run to plan. This includes the selected research medium for conducting the interviews as well as the complete interviewing process that will be explained more detailed below.

Recent insights in social science have suggested that internet technologies such as Skype are viable research mediums for overcoming issues regarding access and distance (Evans et al., 2008). The Skype software provides synchronous interaction between the researcher and the interviewee and thus creates the most feasible alternative to face-to-face interviews (Hanna,

2012). Additionally, by using Skype the researchers were able to easily record both visual and audio interaction of the interview, which helped to overcome several common biases against telephone interviews (Novik, 2008). This in turn supports the theory, that there is no significant difference between face-to-face and ‘full screen’ Skype interviews (Bertrand & Bourdeau, 2010; Hanna, 2012). In fact, after conducting the interviews the recorded visual material for the research was studied in detail, and mirrored exactly the interviewing process without depending on the interviewer’s notes or memories. Another advantage of the technical service of Skype was that both the researcher and the interviewee were able to conduct the interview in the ‘safe location’ of their personal surrounding. The interviewing process therefore remained unobtrusive, as the researchers did not impose themselves in the personal space of the respondents, and the process thus guaranteed a neutral as well as personal location for both parties. Furthermore, in accordance with Brabham (2010) as well as Kazmer and Xie (2008), online interviewing via Skype is a feasible and appropriate method when the researched activity takes place online as in the study under investigation.

Furthermore, a semi-structured interview guide was designed that covered relevant aspects and topics with the help of a list of open questions (see Appendix A). On the one hand, the guide was used to ensure the researchers ask the right questions and that specific themes are covered. On the other hand, the semi-structured interview guide gave respondents the freedom and flexibility to articulate their point of view and thus illuminate what they considered important concerning the PWYW pricing mechanism. In other words, semi-structured interviewing helped the researchers to capture the voices and the ways people make meaning of their experiences, particularly when participants can make use of their primary language and effectively express their point of views, feelings and motives (Bryman & Bell, 2007). In the beginning of the focused interviews, the uniform stimulus of the ‘music website tool’ was presented. In the following, the impact of this stimulus was studied using the semi-structured interview guideline. In the present study, the stimulus of the ‘music website tool’ was used in order to visualize the novel and innovative PWYW pricing mechanism in an online environment (see Figure 3-2). As stated by Flick (2006) it is effective to visualize complex and technological information for those studying novel phenomena that have not been employed a lot so far. Accordingly, there is considerable potential to incorporate visual elements in order to reveal underlying motives for future phenomena, which consumers have little or no regular contact with.

Following the research design of focused interviews, the following four criteria - to the extent manageable for the researchers - were applied in the interviewing process: non-direction, specificity, range as well as depth and personal context expressed by the interviewees (Flick, 2006).

In order to fulfill the criterion of ‘non-direction’ the researchers used upward laddering techniques within the interviews to firstly move from unstructured questions (*What is the first*

thing that comes to your mind about this pricing mechanism?) to increased structured questions (*Would you describe yourself as a rather generous person or a rather price-conscious person?)* to prevent the interviewer's frame of reference being imposed on the respondents viewpoints (Easterby-Smith, Thorpe & Jackson 2008). As people are simply not always aware of their own motives, these techniques as well as different probing methods such as *Can you give me an example of that* are considered to be essential in revealing participants' motives (Ulwick, 2002).

The criterion 'specificity' means that the interview should bring out specific elements that determine the research question under investigation in order to prevent the interview from remaining on the level of general statements (Flick, 2006). In order to increase this criterion the interviewers encouraged 'retrospective inspection' and supported the respondents by recalling specific situations, for instance: *Place yourself back in the situation when you conducted the visual experiment...* or: *When you think of tipping in a restaurant...*

Further, the researchers involved the criterion of 'range' that signifies that all aspects and topics relevant to the research question are mentioned in the interview (Flick, 2006). In this context, the semi-structured guideline assisted the researchers in framing along different themes. Moreover, the person being interviewed had a fair degree of freedom of what to talk about, how much to say and how to express it. The semi-structured guideline was very helpful to structurally interact with the interviewees while at the same time staying flexible.

The goal of the criterion 'depth and personal context' was achieved by ensuring that the interviewees go beyond simple assessments like 'good' or 'bad' through continuously diagnosing the current level of depth of the questions (*Why would you pay something? What are the reasons?* or *How exactly would you feel if you had paid something?*).

Further, the interviewees were encouraged to openly talk about the topic without feeling embarrassed or ashamed, which was positively influenced by the personal relationship between the researchers and the interviewees. The interviews took between 30 and 90 minutes producing a total amount of 360 minutes of electronically recorded data.

3.2.2.3 Data Analysis Focused Interviews

As the interviews were conducted via Skype the recordings already existed in electronic formats. The digital records of the interviews improved the accuracy of the following transcription, because the records could be played again if words or sentences were difficult to understand. After transcribing the recordings into German, the statements were translated into English, which was an unproblematic process as the researchers are fluent in this language, both living in English-speaking countries for several years. However, as some words and phrases do not have an exact equivalent in one language, the researchers faced a few challenges. Therefore, in order to find the best translation for certain expressions 'free' translation was applied in some parts ensuring that the meaning of the sentence did not get

lost. The researchers acknowledged the fact that language incorporates values and beliefs as well as carries “accumulated and particular cultural, social, and political meanings that cannot simply be read off through the process of translation” (Temple, 2002, p. 5). In line with the ontological position of social constructionism, knowledge – mediated by language – is considered to be a social artifact and a product of historically and culturally situated exchange processes between people (Gergen, 1994). In this regard, the researchers used a reflexive perspective while translating, always assuring that the decisions about cultural meanings carried by language are correctly evaluated and ultimately meaning the same. Moreover, in order to overcome differences of meaning, the researchers translated several sentences back into the source language German to compare the back-translation with original German transcripts (Bryman & Bell, 2007). Noticed discrepancies resulted in re-examination of the data.

Generally, the analysis of the interview data was inspired by the hermeneutic circle approach. The central principle of the hermeneutics is that one can only understand the meaning of an action or statement within the context it was articulated. Therefore, ‘the hermeneutic circle’ is considered as a metaphor for describing an analytical movement between ‘the whole’ and ‘the part’ which mutually transforms each other’s meaning through continuous interaction. As a result, neither the whole text nor the individual part can be understood without making reference to each other (Heidegger, 1962; Palmer, 1969). Hence, in the present study the data is analyzed in an iterative process comparing different parts of the interviews in relation to the whole, and vice versa (Thomposon, Pollio & Locander, 1994). Moreover, the concept of abduction in which empirical data and existing theory are combined in order to investigate the phenomenon adequately is applied. Consistent with Bryman (1989) the application of different existing theories as academic lenses allowed the researchers to move back and forth between empirical data and the theoretical framework in order to be sensitive for possible findings. Consequently, in the present study the abductive hermeneutic circle approach allowed the researches to investigate the empirical data of the interviews in a systematic and scientific manner, and thus it was possible to discover new consumer patterns and motives. Beyond that, it improved the understanding of human behaviour concerning the PWYW pricing mechanism.

The interpretations of the interviews followed a three step procedure in accordance to the hermeneutic circle analysis (Flick, 2006). First, the transcripts were read and general impressions were noted with the focus on sequential structure of the interviews (line-by-line, sometimes word-by-word) (Flick, 2006). Next, the researchers sought for highly aggregated meaning units (coding) that could be categorized concerning extrinsic and intrinsic motivation. After cataloguing the emerging codes the researchers subsequently tried to detect patterns for the codes, which were termed ‘themes’ (Reichertz, 2004). These so-called ‘themes’ are recurring patterns of meanings throughout the text, for instance specific motives or feelings concerning the PWYW pricing mechanism. In the last step of the analyzing

process, the verbal data was adjusted with existing literature of the phenomenon and thus extended in later interpretations (Reichert, 2004). This process was applied for all eight interviews resulting in a comprehensive set of in-depth motives along the two dimensions of intrinsic and extrinsic motivation and thus provided theoretical foundation for the forthcoming experiment.

3.2.3 Quasi-Experiment

A quasi-experiment is an empirical study used to estimate the causal impact of an intervention on its target population without any random pre-selection process (Shadish et al., 2011). The quasi-experimental design was chosen to investigate the previously developed two dimensions of extrinsic and intrinsic motivation, and thus to see whether Generation Y consumers are more intrinsically or extrinsically motivated under PWYW conditions. Furthermore, it allows the researchers to construct a real-life setting that is similar to the natural environment participants experience at home when paying in private. In addition, the participants become acquainted with the new pricing mechanism by involving the visual and interactive element of the 'music website tool'. By doing so, the researchers receive a better understanding of their natural social behaviour. Even though the quasi-experiment relies on an artificially created field it can be considered as a sort of 'natural field experiment', and thus the conducted quasi-experiment is a powerful tool to obtain results for future trends (Janson, 2011; Knobloch, 2011).

3.2.3.1 Sampling Method and Participants Selection Criteria

As the interviews were conducted with German consumers, the participants of the quasi-experiment had to meet the same requirements, meaning the participants had to be German as well to avoid cultural bias. Therefore, in order to approach the future participants for the quasi-experiment, a list with all German students in Lund who the researchers had knowledge of was created. Moreover, other German students were contacted in order to find out about further German students living in Lund. This approach resulted in a total number of 54 future participants, 27 for each group.

In line with the non-equivalent control group design, the German students were randomly assigned to control and experimental groups, which in turn increased the experiment's internal validity. Campbell and Stanley (1966) define internal validity as the strength of causal evidence. As the students have similar backgrounds including the same level of education, all participants in the control group and the experimental group showed similar distributions on specific key variables such as nationality, age and level of education. Consequently, consistent with Schutt (2011) the quasi-experimental design can be considered one in which there is a control group that is "comparable to the treatment group in critical ways" (Rossi & Freeman, 1993, p. 313). In order to reveal causal effects, it is argued that control and

experimental group must be truly comparable or homogenous, which was established by showing similar key attributes in both groups (Campbell & Stanely, 1966). However, the researchers are aware of the fact that the results are less adequate for establishing causal validity than in true experimental designs.

Moreover, one of the objectives of the quasi-experiment was to provide a statement about PWYW's suitability to an online environment. By selecting natural settings such as the private homes of the participants, the external validity (generalizability of a study) of the quasi-experiment was improved. In this context, Campbell and Stanely (1966) argue that the more artificial the experimental arrangements, the greater the problem concerning the experiment's generalization. This means that true experiments are particularly appropriate in giving evidence in causality (internal validity) whereas quasi-experiments are more suitable for generalizations (Schutt, 2011). In other words, the generalization of the data of quasi-experiments often turns out to be better than in randomized real experiments (Campbell & Stanely, 1966). Nevertheless, the researchers acknowledge that the generalizability of the results presents an extremely difficult proposition in qualitative research and therefore will not be undertaken.

3.2.3.2 Designing and Conducting the Quasi-Experiment

As noted previously, the quasi-experiment is regarded as an appropriate research method to naturally investigate how Generation Y consumers are motivated when buying music online under PWYW conditions. As contrasted to an offline environment, consumers in online environments do not experience any kind of personal interaction with the seller, the buying and especially paying process is done in private. Consequently, there is no social pressure or moral authority that would force a consumer to pay for a product for that no payment is required. Creating dependent and independent variables for one anonymous environment (control group) and one non-anonymous environment (experimental group) allowed the researchers to examine whether Generation Y consumers are rather intrinsically or extrinsically motivated. Hereby, the paying behaviour is considered as the dependent variable and the moral authority as the independent variable. By proceeding this way, the researchers investigated whether Generation Y consumers alter their paying behaviour when social pressure and a moral authority was added.

First of all, a 'music website tool' was designed similar to the existing music website www.noistrade.com. This website offers artists a platform to freely distribute their music online and enables them to virally promote their music. The 'music website tool' designed for this study consists of two pages starting with an introduction page. Here, a simple story was narrated, which assisted to place the participant in an authentic buying situation for a CD and created interest for the offered music itself.

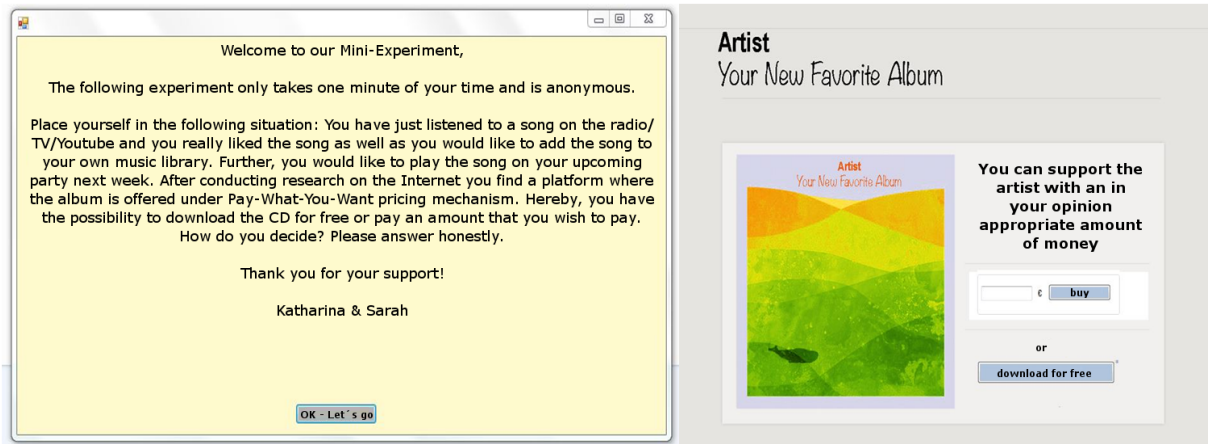


Figure 3-2: Translated Music Website Tool - Page 1 and Page 2

The story on the introduction page was kept simple to ensure that participants will understand everything without needing additional support from the researchers. This fact was particularly essential for the experiment within the anonymously operating control group. Furthermore, the researchers made sure that the layout was easy on the eye as emphasized by Dillman (2000) who further argues that an attractive layout is a crucial part when designing a research method. When moving on to the second site of the ‘music website tool’, the participants were confronted with the offered CD. In this step of the experiment, the participants had to choose between the two possibilities of either paying a certain amount of money for the music or downloading it for free (see Figure 3-2).

The story and the title of the album ‘Your New Favorite Album’ were supposed to serve as an orientation point for the prices paid. By doing so, the researchers aimed to investigate consumers’ authentic behaviour without providing them with external factors like reference prices that would have induced them to act according to social norms given from an outside source. Further, no hints about the popularity and wealth of the artists were given, as this information would have influenced the participants’ decision as well. The story presented on the introduction page of the ‘music website tool’ saying that the participants fancy the offered music is seen as sufficient to stimulate their paying behaviour without including other arguments such as the popularity and wealth of the artist.

In the first step, the quasi-experiment was conducted with the control group. In order to conduct it in an anonymous and natural setting, the researchers visited participants assigned to this group in their homes. The researchers explicitly informed the participants that the experiment was completely anonymous, and thus no personal identifiable information was requested from the participants assuring that they have the experience of a real-life situation. Afterwards, the researchers positioned the laptop on the participant’s desk and left the room before the experiment started. In order to obtain true social behaviour, the participants were alone in the room, and the payment was performed in private without any social pressure or moral authority.

For the experimental group the researchers arranged appointments with groups consisting of three to five people in their private homes as well as in the Economic and Juristic Department at Lund University. Not only the researchers, but also other participants were present in the room in which the experiment took place. Additionally, before the participants were able to take part in the experiment, all had to fill in their names on the introduction page of the ‘music website tool’ in order to reduce their feeling of privacy. Moreover, the researchers observed the participants while walking around monitoring the screens of the computers. By altering the quasi-experiments’ conditions through adding a form of social pressure (other participants) as well as a moral authority (name & monitoring) the conditions of the experimental group corresponded to an offline environment.

Given that focus, the quasi-experiment offered converging evidence about consumers’ willingness to pay when no payment is required, and thus whether they are rather extrinsically or intrinsically motivated. Further, the paying behaviour of Generation Y consumers across offline and online settings was investigated, and thus the quasi-experiment provided evidence whether being monitored or being in private has an effect on their paying behaviour.

3.2.3.3 Data Analysis Quasi-Experiment

It is essential in a quasi-experimental study to collect outcome data. In order to be able to analyze this data, the researchers included a software mechanism into the ‘music website tool’, which automatically saved the results in an excel sheet. Consequently, statements on how many participants in the control group as well as in the experimental group paid or not paid could be made. Moreover, the ‘music website tool’ provided data on the paid amounts to further diagnose whether the PWYW pricing mechanism is suitable for an online environment. Even though the quasi-experiment yields quantitative data, it might better be defined as a creative element in qualitative research to reveal reliable and authentic human behaviour as well as it provides additional support for the interviews.

3.2.4 Limitations of the Research Design

Although exploratory, qualitative research has many advantages when discovering and examining relatively new topics such as the PWYW phenomenon, it also demonstrates several short-comings and should not be considered truly conclusive as in quantitative research.

3.2.4.1 Criticism of Qualitative Research

Exploratory, qualitative research techniques have several limitations. For instance, samples are not representative and interpretations are based on the researcher’s judgment. This is mainly due to the fact that the “goal is less to test what is already known, but to discover the new and develop empirically grounded theories” (Flick, 2006, p. 16). Therefore, quantitative concepts of validity and reliability are neither appropriate nor applicable as a complex

phenomenon such as PWYW cannot be explained by clear cause-effect relations (Bryman & Bell, 2007; Flick, 2006; Lincoln & Guba, 1985).

According to Bryman and Bell (2007), the quantitative concept of reliability is conceived as an assessment of whether the measurement is stable over time and if the results would be the same replicated in future research. In this context, one might argue that reliability is difficult in management research, given the fact that the study is conducted in a social context involving peoples' feelings, motives and identity construction. It is therefore complicated to perform an identical replication of the research results. In this regard, for the study under investigation it was more important to improve the understanding and illumination of the PWYW pricing model - thus the underlying consumer motives, than the replicability of the findings.

Additionally, the positivist construct of validity refers to an assessment on how well-founded the variables in the study are as well as how accurately they correspond to real world situations. In other words, validity demonstrates the extent to which a method or variable measures what it claims to measure and thus reflects the true theoretical meaning of the concept (Bryman & Bell, 2007; Easterby-Smith, Thorpe & Jackson 2008). In qualitative research this construct is concerned with the quality of the data gathering process and, in line with Lincoln and Guba (1985) the concept of 'trustworthiness', which will further be discussed in the next sub-chapter but one.

In general, the objective of this qualitative study was to collect rich data on the relatively new phenomenon of PWYW. Thus, the generalization of the findings in order to validate the results statistically has not been regarded as an important aspect (Mitchell, 1983). Moreover, it needs to be noted, that during the last two decades qualitative methodologies became more accepted in consumer research (Goulding, 2005). This matter of fact is clearly shown in the increase of numbers of qualitative research papers in academic journals (Goulding, 2005). In view of Goulding (2005) qualitative research is no longer considered as 'soft' and 'speculative' as it was the case in the past and is particularly suited when studying individuals' social context today.

3.2.4.2 Criticism of Focused Interviews

Interviewing is a critical skill when conducting qualitative research. Researchers need to have distinct abilities in order to analyze and interpret the data. In this regard, it has to be acknowledged that the gained data will, to a certain extent, be subjective as well as influenced by the researchers' opinions (Malhotra, 2010). Therefore, in line with the philosophical stance of the study, the researchers tried to suspend their own interpretations as much as possible in order to see the world through the eyes of the interviewees. Moreover, the researchers tried to approach the phenomenon as naively as possible and used a reflexive perspective, analyzed the data separately and subsequently aligned the findings together.

Reflexivity is an important concept in qualitative research and generally assists in maximizing the accuracy of the interviewing process, particularly the problem of leading the respondents in their answers (Malhotra, 2010). By adopting a reflexive stance, the researchers tried to cope with the issue of biased answering of the questions. In order to prevent the interviewer to lead the respondents in their answers, the researchers crosschecked their interview questions with their supervisor and adapted accordingly as well as conducted two test interviews before conducting the actual interviews. This practical experience assisted in preventing asking biased questions and, most importantly, provided them with training (Malhotra, 2010).

Furthermore, errors in the translation process of the interviews might occur when the study in focus is written in another language than the author's mother tongue. Again, the researchers addressed this problem by adopting a reflexive stance while translating, always making sure that cultural meanings carried out by language are correctly evaluated and ultimately mean the same. Additionally, the researchers translated several statements back into the source language German to compare the back-translation with the original German transcripts in order to determine discrepancies (Bryman & Bell, 2007). If any contradictions were noticed the translation process was adapted.

3.2.4.3 Trustworthiness of Focused Interviews

In line with Lincoln and Guba (1985) the researchers addressed the above-mentioned challenges in qualitative research with the concept of 'trustworthiness', which provides an alternative to the quantitative concepts of reliability and validity. The concept of 'trustworthiness' is better suited for the epistemology of interpretivism, which is critical of the view that there is only one single truth about the social world. Instead, the adopted epistemology of this study considers truth as not being absolute and is concerned with consumers' subjective meanings, which motivate actions. The concept of 'trustworthiness' consists of different criteria known as credibility, transferability, dependability and confirmability. For instance, the usage of two research methods (triangulation) in the study provided 'thick description' and thus improved internal and external validity of the research (credibility & transferability) (Bryman & Bell, 2007). The combination of these methods emerged as the most fruitful strategy to develop an understanding of the complex construct of human motives under the PWYW pricing model in order to control bias of the results. Besides, reliability of the results was increased through the fact that records were kept of all phases of the research process as well as the whole research process was conducted in an accessible manner (dependability) (Bryman & Bell, 2007; Easterby-Smith, Thorpe & Jackson 2008). Furthermore, the researchers were aware of potential effects of their personal and social characteristics while collecting the data (Goffman, 1959). Consistent with the hermeneutic approach, the researchers presented self-awareness of possible influences from previous experiences and backgrounds (confirmability). Hereby, the principles of the hermeneutic circle served as a guide while examining the primary data ensuring that the

“analysis should move beyond description but that interpretation should not move beyond the data and out of the hermeneutic circle” (Whitehead, 2003, p. 517). Additionally, the iterative approach between the previous developed theoretical framework and the primary data assisted evolving a reasonable scope for the study as well as structuring the analysis in an appropriate, scientific manner to further improve validity.

3.2.4.4 Criticism of the Quasi-Experiment

In the quasi-experiment the control and experimental group were selected without any random pre-selection process whilst testing whether an independent variable (social pressure and moral authority) has an effect on the paying behaviour of the consumers. The quasi-experimental design is often applied in social science, psychology as well as in economic research, because it is useful in forecasting general trends and authentic social behaviour.

Both internal validity (evidence of cause and effect) and external validity (generalizability of a study) contribute to the quality of the quasi-experiment. The lack of randomized assignment in the quasi-experiment allows studies to be more feasible on the one side, but on the other side the deficiency in randomization presents threats to internal validity. In this view, the researchers cannot completely ensure that the treatment (social pressure and moral authority) was responsible for the effect or if further extraneous variables caused the change in the experimental group. Therefore, causation in quasi-experimental designs cannot fully be established. The researchers addressed this inherent weakness in quasi-experiments by selecting the respondents of control and experimental group as similar as possible, and thus by showing comparable key attributes, the potential of low internal validity was reduced. However, the researchers are aware of the fact that the results are less adequate for establishing internal validity than in true experimental designs. By contrast, apart from rigorous statistical scrutiny, quasi-experiments constitute a feasible and powerful instrument in economic research when true experiments are not applicable. Quasi-experiments offer an excellent opportunity to receive true social behaviour, especially when researching a delicate subject such as the PWYW model.

3.3 Secondary Sources

Secondary data applied in the study is mainly based on articles, books and online sources. Starting with academic articles, the majority was published in academic journals and therefore the quality of the articles can be perceived to be high in standard (Malhotra, 2010). Moreover, the currency of the articles is perceived as high-quality standard as they are mainly peer-reviewed articles (Malhotra, 2010; Fisher, 2007). Books regarded as relevant were incorporated and selected in accordance with the required information linked to the phenomenon and the associated subject areas. This can also be perceived as an indicator of

accuracy and high quality (Malhotra, 2010). Finally, Internet sources such as online journals or information on websites were used. Online data has only been applied if the authors of the online data were perceived to be trustworthy and the legitimacy of the company or organization of the webpage was demonstrated. Moreover, only online information deemed necessary was included in the research (Malhotra, 2010).

Exploratory research incorporating secondary data is of increasing interest to researchers as limited research and studies exist and therefore secondary data assists in discussing the results more controversially. Hence, secondary data in the present study was incorporated in different stages, particularly in the theoretical framework, the methodology as well as in the following conclusion. The researchers were able to consider collected primary data through the lenses of previous conducted research and could easily place the findings of the conclusion within existing research. Additionally, academic literature and scientific theory were constantly collected throughout the entire writing-period as well as the supervisor's feedback was regularly incorporated.

ANALYSIS & DISCUSSION

CHAPTER 4

ANALYSIS & DISCUSSION

In this chapter the empirical data obtained in the focused interviews and the quasi-experiment are analysed and related to the theories suggested in chapter two, particularly to the developed conceptual framework of intrinsic and extrinsic motives. By analysing the results of the interviews with an abductive approach, a comprehensive set of consumer motives along the two dimensions of intrinsic and extrinsic motivation on Generation Y's paying behaviour under PWYW conditions is developed. Based on these motives the individuals' self-image (self signaling motives) and social-image (social signaling motives) will be exposed and discussed after thorough examination. The motives that were identified from the interviews set the basis for the followed quasi-experiment. Finally, the data of the quasi-experiment is analyzed and discussed to detect whether social pressure or a moral authority have an impact on the paying behaviour of Generation Y consumers.

4.1 Focused Interviews

As focused interviews are often used in exploratory research to gain a better understanding about the topic under investigation, they served to unveil Generation Y consumers' motivation, particularly differing extrinsic and intrinsic motivations in the study at hand. In the following part the interviews are analyzed, and discovered motives are classified and discussed in respect to the theoretical concepts in chapter two.

4.1.1 Intrinsic Motives

As formerly outlined, acts attributable to intrinsic motivation derive from an individuals' personal interest without depending on external events (Lepper, 1997). Assuming that intrinsic motivation refers to acts of pleasure or personal interest that derive from an individual's inside, several concepts that count among intrinsic motivation can be identified in the collected interview data. The recognized concepts are *fairness & reciprocity*, *altruism*, *satisfaction*, *loyalty*, *compensation and support*.

Fairness & Reciprocity

Except for one, all interviewees expressed the motives of *fairness* and *reciprocity* during the interviews. As suggested in the theoretical framework, these two concepts belonging to intrinsic motivation can be considered strong intrinsic motivators when examining consumers

paying behaviour concerning the PWYW pricing mechanism. The motive of fairness includes the reciprocation of kind intentions, which in turn is expressed through kind actions as Rabin (1993) states in his theory of the ‘fairness equilibrium’.

The following excerpts from the conducted interviews clearly illustrate that the interviewees would pay positive amounts under PWYW conditions because of fair and reciprocal intentions.

*Because every person who makes or produces something, in this case music, primarily does it to make money or else to earn a living, **and why should I not appreciate his/her art or music... with money, or at least give money for listening to the music.***

[Sören]

***It is only fair.** After all, that person is doing something, and for that he or she deserves something.* [Anna]

***Anyway, I think there is a notion of fairness,** especially if it is a matter of music or any other creative product.* [Corinna]

*Most people really are aware of the fact that when they receive a product other people must have produced it and therefore put a lot of work and effort in it. **And I think that many people still have moral expectations** or this thinking ‘I have to give something back, even though it is not much’. **Maybe, it is a thought of giving something symbolic... something like an obolus, too.*** [Corinna]

The findings from the interviews, and especially the illustrated excerpts vividly show that the notions of fairness and reciprocity play an important role in people’s lives, and particularly in their interaction with others. Hence, when considering people’s paying behaviour under the relatively unfamiliar situation of the PWYW pricing mechanism, it can be noticed that, if people decide to pay a certain amount of money, this is largely due to and driven by notions of fairness and reciprocity as studies in experimental economic research have demonstrated before (Andreoni & Miller, 2002). This in turn refutes general assumptions in economic theory that consumers behave purely rational and egoistic as suggested in the ‘homo economicus’ model, which is also supported by results and findings from micro-economic experiments like the ‘ultimatum game’ (Roth, 1995). In fact, the findings indicate consumer characteristics of the ‘homo reciprocans’ model. The interview data clearly show that acknowledging and appreciating other people’s work is one important aspect, as this exact behaviour would be expected from others towards oneself as well. All participants conveyed the notion that one should be remunerated for providing services or products, which implies that their conduct is strongly driven by a thought of fairness and reciprocity.

As several interviewees expressed a mixture of opinions and views between fairness and altruism, this further concept represents another strong motive in people's paying behaviour and therefore leads over to the next point.

Altruism

As emerged from the interview data, the interviewees also expressed the motive of *altruism* when discussing the issue of the PWYW phenomenon. It is a social behaviour that implies doing good or helping without expecting rewards or benefits of recognition for it (Maner & Gailliot, 2007; Andreoni & Miller, 2002). As the majority of interviewees mentioned characteristics attributable to altruism, this motive is assumed to be both dominant and common among Generation Y consumers. The most significant and meaningful excerpts are outlined below.

I like to make other people happy ... It gives me a good feeling, a social feeling when I am able to take care of somebody. That's fun. [Hannes]

It's more like that I love to help others. It's nice to know that I can help them [musicians] so that they also can survive in daily life and pay their rent. [Anne]

Sure, I like if I get something for free, but if I were taking it [music] for free I would feel concerned about the artist or like preying him. Well, it's just not ... I just don't like that and I would not feel good about myself. [Anna]

Recognizable from this motive, people pay under PWYW conditions because of their inherent altruistic behaviour. As realized by Maner and Gailliot (2007), beyond the notion of fairness, altruistic behaviour influences consumers' paying behaviour. In the context of the PWYW phenomenon, acts of altruistic behaviour become obvious, as people indicate that they want to help others and pay positive amounts because it gives them a good feeling and a feeling of discomfiture can ultimately be avoided. Certainly, the service or product is received in exchange for money, however, a majority of the interviewees claimed that they voluntarily paid because it provides them with 'a positive feeling', and additionally encourages them to do good deeds. This exact reasoning testifies altruistic behaviour, because no remuneration or reward is expected and the money is given owing to an inherent belief to do something good. It can be expected that people exhibiting altruistic characteristics will pay higher prices than other people not or hardly showing these characteristics. The outlined situations were often compared to charity organizations or events with charitable backgrounds where people also give money without expecting any kind of reward (Kim, Natter & Spann, 2010).

Satisfaction

Another finding that could be revealed from the interview data is the intrinsic motivator *satisfaction*, which emphasizes the value that products provide to consumers (Biel, Garling & Marell, 2010). As exemplified by the following excerpts, there is an obvious notion that the level of satisfaction affects consumers' paying behaviour, particularly under PWYW conditions.

*I did pay. **When I like the music, and when I am satisfied with it I am definitely willing to pay a certain amount for it.*** [Michael]

*I gladly give money for something **that is worth spending money on**, yes.* [Sören]

*Err, no. I would probably pay more for the less known artist as for a very popular one. **But, I would probably hinge it on how much I like the album or song or music in general.*** Or maybe the painting or whatever we are talking about now. [Sören]

The findings from the interviews further show that the level of satisfaction also plays an important role in consumers paying behaviour. As Homburg, Koschate and Hoyer (2005) found, there is a strong positive effect between a consumers' level of satisfaction and its willingness to pay. The interviewees predominantly expressed that the more satisfied they are with the product or service, the more money they would be willing to pay. As similar to altruistic behaviour, it can be expected that a high level of satisfaction leads to greater willingness to pay and concomitantly higher prices are paid.

Loyalty

The results from the interviews also implicate the intrinsic motive of *loyalty* as previously suggested in the conceptual framework. Generally, loyalty towards sellers or companies can be observed when consumers have emotional relationships or exhibit sympathy for offered products, services or even brands (Chaudhuri, 1999). The statements capturing the motive of loyalty are covered in the excerpts below.

I am rather willing to pay for music from an artist that I know and have heard other songs from before. Well, 'rather'. It is not a disqualifier, but it is probably more like that. [Michael]

Well, especially music is a highly emotional thing. With music I have an emotional relation, and then I think 'yes, that artist is able to make use of my money'. [Michael]

I think, if I can relate to an artist or author, I mean when he or she is not rationally taking but simply emotionally taking ...I think that can affect the buying behaviour in general, and the prices paid in particular. [Corinna]

This motive as realized from the interview data suggests that people pay under PWYW conditions because they know or assume that repeated purchases with the same seller lead to his/her economic existence. Prices paid are therefore presumably dependent on a relationship between the buyer and seller. Interviewees coherently indicate that they are rather willing to pay (more) for music from artists they know or can relate to. Kim, Natter and Spann (2010) explain that the intention to buy from the same seller, or the loyalty towards one, can lead to higher prices paid under PWYW conditions, as people act strategically to help this particular seller to 'survive' in his or her business. Consumers are aware of the fact that very low prices will not enable an artist to keep in business. In case the artist's music is to a consumers liking, that person will be inclined to pay, possibly even more than for other artists. The same approach can be observed in restaurants, which was also stated by several respondents. Researchers found that there is a relationship between the amount of a tip and the frequency of visits. This relationship shows a significantly positive correlation between these two variables (Conlin, Lynn, & O'Donoghue, 2003).

All in all, the interview data reveals that the motive of loyalty is crucial for pricing, and in fact, has a positive influence on the prices paid for products or services acquired under PWYW conditions.

Compensation

As emerged from the interview data, the interviewees further remarked the allegedly less-prevalent motive of *compensation* when discussing the issue of the PWYW pricing mechanism. Several interviewees went into this line of reasoning and depicted rationales of compensating nature for the paying behaviour under PWYW conditions. Yet, the following statements illustrate in a comprehensive manner how compensational aspects justify different paying behaviours.

In case I would download for free, but had downloaded and paid, also appropriately, for it before, I would not feel very bad. In case I would do it more often and never pay or never intend to download something in the future and then pay appropriately, then I would feel worse as in contrast to when I know I can pay appropriately again in the future or I did in the past. [Corinna]

I did not do it in your experiment. I actually indicated a very small amount because I thought 'well, I am not able to afford more right now, but I can make up for it next time, when I will be in a better financial situation. [Anna]

This finding shows that people evaluate and justify their own behaviour in respect to their past or future actions. This implies that a current decision that includes a price equal to zero, can be justified with a past or future decision that included or will include a price greater than zero, which in turn is perceived to compensate the current, negative payment.

Support

The last motive detected from the interviews is *support*. Generally, it can be noticed that the interviewees made distinctions in their behaviour depending on the popularity and wealth of the artists. Meaning, artists perceived as popular and affluent are usually in a poorer initial position to receive money under PWYW conditions, whereas artists perceived as unpopular and less wealthy are in a better initial position to receive money for their offered music under PWYW conditions. This circumstance cannot really be incorporated under any of the detected concepts of intrinsic motivation but actually exhibits fragments from all of the foregoing. The notion of fairness can be observed as well as the one of altruism or, for example, satisfaction. They all act a part in a decision that financially prefers unpopular and less wealthy artists to popular, affluent artists. The following excerpts from the interview data provide insights into this additional matter of fact.

I think I would rather pay, or pay more for an unpopular artist, because I think that he or she doesn't get money from a lot of people. And a popular artist is rich anyways – whether I pay him or her or simply download the music ... doesn't hurt him or her anyways. [Michael]

I always think that one must help or financially support the small artists that no one knows yet, and make them a bit more popular and help them on their way so they can live from their 'occupation' as well. As for the popular artists I feel like I can leave them alone with that... so, it would be different if it were a song from Madonna. I would probably be unfair then and not pay ... it depends on the personal situation of the artist as well. [Anne]

I would also think about whom I download from. If it's from Robbie Williams for example, I would think about how he is and how I am, so to say, how my standard of living is compared to his standard of living. And do I think it is fair to give him money from my income so he can afford living in one more 5-star hotel in Hollywood? And then there is Julius..., a street artist from Mannheim that no one knows. And then I think 'cool, he is doing so many small projects' and plays for like 10 people, which makes me feel bad for him because he puts so much effort in it. He deserves my 10 euros. [Annika]

For many consumers it seems to be an integral part of the overall decision making and buying process to evaluate not only their own financial condition but also that of the artist or band they are taking the music from. This approach shows both notions of supporting and helping others in rather bad conditions as well as notions of fairness and sympathy towards other individuals in need of some kind of support. Assuming people to act selfishly, the ‘homo economicus’ model ignores these human notions of altruism or fairness, and thus the motive of support provides further evidence of the ‘homo reciprocans’ model.

4.1.2 Extrinsic Motives

Extrinsic motivation refers to concepts stimulated by external factors. That is to say, the desire to perform a task is controlled by a source from outside the individual (Ormrod, 2006). In accordance with the conceptual framework constituted in chapter two, the researchers identified three extrinsic motives in the collected interview data: *income*, *social obligations & norms* and *personal contact*. These motives are further described and discussed in the following.

Income

As expressed by all respondents, one strong extrinsic motivator is the availability of financial resources, namely the interviewees’ *income*. This extrinsic motive entails the respondents’ willingness to pay, partly even higher prices in case their economic situation allows them to act that way. This fact is emphasized by several studies proving that income has significant impact on voluntary paying behaviour (Wiepking, 2007; Bekkers, 2004). According to that, the findings from the interviews show that Generation Y consumers’ level of income influences their price determination process and thus paying behaviour under PWYW conditions, which is vividly illustrated in the following excerpts.

I think that I can afford this and thus, I am happy to share what I have. [Hannes]

Not by any means would I pay nothing at all. But I would possibly pay less if I had no or fewer income. The more money I have at my disposal, the more I can give to others. [Sören]

The excerpts show that those interviewees already working and earning money at least pay a certain amount of money, owing to the fact that they have regular income. By contrast, interviewees being students mentioned that they adapt the level of paid prices under PWYW conditions according to their current or future income. Additionally, the latter group claimed to pay higher prices in case their financial condition prospectively allowed that behaviour.

I would have paid a higher price if I had a higher income. I would adapt it when I am in the economic position. [Michael]

If I know that I have a regular income and I can afford to live from it, then obviously I am more willing to spend money. [Corinna]

A further statement from one interviewee saying that no income was available led her to the radical decision to neither purchase nor take for free the music under PWYW conditions. Therefore, it becomes evident that individuals feel uncomfortable when they cannot pay an appropriate price.

*Well, I would rather constitute the amount of money to my own financial situation than to the artist's economic position ... If I cannot afford it, I would **probably not buy it [music] at all then.*** [Anna]

All in all, the interviewees clearly indicate that their financial situation has substantial impact on the decision whether to pay or not to pay, and especially on the amount of prices paid as also widely recognized in other empirical studies (Bekkers, 2004; Rooney, Steinberg & Schervish, 2001; Wiepking, 2007).

Social Obligations & Norms

Another finding from the category of extrinsic motivation is that the interviewees are motivated by *social obligations and norms* as has been suggested in the conceptual framework before. Several studies have illustrated that social norms such as tipping or gift giving are external motivators for economic behaviour (Azar, 2005a; Mitrut & Nordblom, 2007). The interview data provide empirical evidence that the respondents feel obligated and forced by social norms to provide, for instance, tips in restaurants or hotels. This is clearly expressed in the following excerpts.

With tips, I think that's courtesy. [Erik]

For me it's normal to tip. [Anne]

[When tipping] you always have social pressure, err, you think you have to pay something, err, did I pay enough, I have to pay something. I don't have that online. [Hannes]

As correctly expressed by the last interviewee the obligation to pay for digital products in online environments is entirely missing. Moreover, the Internet is often perceived as a free-of-charge culture, which by now might be considered as a common standard or social norm in

itself by Generation Y (Eberle et al. 2010). The ‘bad feeling’ for not paying does not endure for long as illegal behaviour is widely tolerated, and the anonymous online environment protects consumers from further consequences as clearly stated by the interviewees.

The anonymity [on the Internet] obviously presents a convenient mask to say, you know, I don't pay at all. [Sören]

*I think, it would be a bad feeling, but on the other hand I think that **it would not last for a long time, because it is online and therefore anonymous.** [Corinna]*

*Then I don't pay... **because there is no controlling instance on the Internet.** [Annika]*

As shown above, with two exceptions all interviewees voluntarily paid positive amounts when employing the ‘music website tool’ even though they perceive digital content on the Internet as free. In this regard, one respondent (Erik) can be considered a special case, as he regularly downloads music and movies illegally and thus shows completely different attitudes towards the PWYW pricing model. He justifies his illegal behaviour with several reasons as stated in the following quotes.

*Very good, **I can take advantage of this [the PWYW model].** [Erik]*

***I don't feel bad because of the anonymity on the Internet. I think like that: Additional consumption doesn't cause additional costs.** [Erik]*

*I know that the data is stored on servers and therefore **no additional costs appear as the servers are running anyways.** [Erik]*

*I know that the way I do it [illegal downloading] **there is no real chance of getting caught.** [Erik]*

It can be noticed that Generation Y consumers, who grew up in a highly digital environment generally perceive the Internet as a free-of-charge culture. However, the interviews revealed that with two exceptions, the respondents would voluntarily make positive payments. To sum up, social obligations and norms are both understood as pressure from an outside source by the respondents. As the interviewees all belong to Generation Y it is clearly evident that their special attributes of strong autonomy and independence in fact intensify the feeling of being pressured from other extrinsic treats, especially social norms.

Personal Contact

The empirical data of the interviews further demonstrate that positive paying behaviour is driven by face-to-face interactions. Micro-experiments have already suggested that *personal contact* between customers and sellers has an impact on consumers' paying behaviour (Bolton, Katok & Zwick 1998; Kim, Natter & Spann, 2009). In this case, the interviewees claim to pay positive amounts, because they are afraid of attracting other peoples' attention by not paying and thus feel embarrassed.

I think personal contact does make a difference. That's somehow human ... when paying you feel kind of esteemed. [Michael]

In these situations [face-to-face interactions] I usually pay more or would rather pay at all, but with the feeling 'oh, I have to pay something, otherwise people stare at me. [Hannes].

Additionally, rather extrinsically motivated respondents emphasize a major difference between online and offline environments. This is underlined by the fact that when being in direct contact with other individuals or in company of other people, they are rather willing to pay a certain amount of money and thus express pro-social behaviour.

On the street I have at least the smile of that dude [street artist] and I might think about myself 'hey, I am a good person, I will go to heaven'. That's entirely missing when I am online. [Erik]

The one that was on Königstraße, the 'crutches-man' with the ball and the one leg ... I always gave him money ... Indeed, I like it when I can see people [street artists] presenting something in the city centers. [Erik]

Well, on the Internet you just don't get back the same. When I give money to a street artist for example, then I can see that he or she appreciates it or is happy about it. And on the Internet I don't get a reaction for my behaviour... and I simply can't see any appreciation. [Annika]

In this context, the interviewees are mainly extrinsically motivated as perfectly phrased by the respondent below. He expresses extrinsically motivated behaviour, because he claims to be forced to act in a certain manner from an outside source (other person) and not because it is an inherent feeling to behave this way.

If I am standing vis-a-vis another person, I pay a greater percentage, but not because I feel better, rather because I don't want to be worse off in front of that person. [Hannes]

Overall, the empirical data provide evidence that the concept of personal contact has significant impact on prices paid under the PWYW pricing mechanism.

Taken together, the findings of the focused interviews are summarized in a comprehensive set of consumer motives in the following figure.

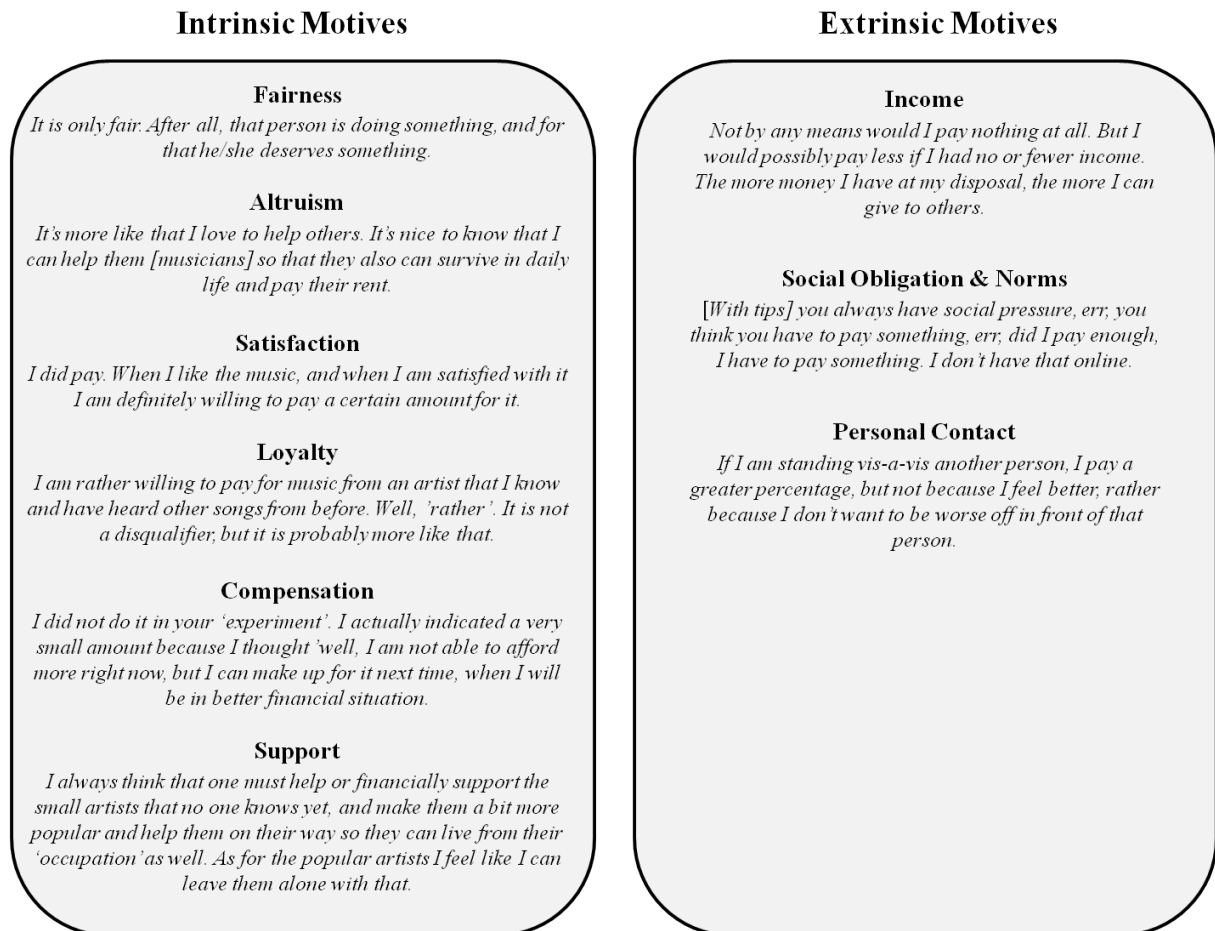


Figure 4-1: Comprehensive Set of Intrinsic and Extrinsic Motives

Based on the identified intrinsic as well as extrinsic motives the interviewees' self-image (self-signaling motives) and social-image (social-signaling motives) will be outlined in the following.

4.1.3 Identity Construction

Individuals' payment choices can be considered a window to their preferences and personality (Baumeister, 1999). This is supported by the empirical data of the interviews that imply that paying patterns under the PWYW pricing mechanism are driven by self-image and social-image concerns (Gneezy et al. 2012; Grossman, 2010). The findings from the interviews

indicate that people in postmodern society pay because they want to send positive signals to themselves (self-image) or to others (social-image).

Self-Signaling

The interview data revealed that positive amounts were paid due to self-signaling motives. This demonstrates Generation Y's caring notion towards their self-image, and hence, their willingness to pay for digital products under PWYW conditions, which they otherwise could receive for free. The following quotes underline this assumption.

*That is why **it gives me a positive feeling, and encourages me that what I do [paying] is the right thing.** Would I not pay I would feel bad about it. [Anne]*

***I felt good about myself when doing it [paying]. Because I did something good.** [Hannes]*

*This negative feeling is entirely missing online. **On the Internet I give something for myself and feel better too.** [Hannes]*

Notable in this context, those interviewees expressing a high degree of social competence (see Table 3-1) also showed a high level of self-signaling motives. This matter of fact indicates a correlation between intrinsic motivation and self-signaling motives. Moreover, self-signaling motives assist to unveil the values of Generation Y consumers under PWYW conditions as expressed in the subsequent quotes.

*I like PWYW because it provides me with a good feeling without having the social pressure ... **I would like to decide on my own how much I want to pay without being guided.** [Hannes]*

*I like it [PWYW pricing model] because **you don't have the pressure that you have to pay something that somebody has decided beforehand.** You are able to decide on your own how much you want to pay ... **that means on the one side more participation in everyday life and on the other side it includes a social element implying that people who don't possess that much money or don't want to pay that much, err, can participate as well.** [Anne]*

The statements underline the fact that paying behaviour for 'self-signalers' remained constant even in the anonymous online environment in which outside observers are not evident. Moreover, these 'self-signalers' prefer the anonymous environment, because they pay for themselves and are not forced by other people or social norms to act in a certain way. The anonymity of the paying process assists them in receiving a better feeling, and it further

augments intrinsic motivation in general as it allows them to receive an increased feeling of autonomy (Hershatter & Epstein, 2010). This also indicates that in case social norms or interpersonal relations force them to pay, it might actually have counterproductive effects, crowding out their intrinsic motives - thus harming their self-image, and moreover leading to a generally negative perception of a product or even brand (Deci & Ryan, 1985). It is therefore assumed that the PWYW pricing model as a marketer-generated instrument helps to decrease the ‘overjustification effect’ in ‘self-determination theory’ and increase the individual’s intrinsic motivation in an online environment (Deci & Ryan, 1985). Moreover, Generation Y consumers appreciate the PWYW pricing mechanism for its participative and active elements. By applying the novel strategy they are able to take part in the price setting process, which in turn provides them with a feeling of autonomy and flexibility instead of being passively exposed to marketing activities.

Social-Signaling

Another finding that was uncovered throughout the interviewing process is that the interviewees pay positive amounts because they want to send positive signals to others or protect themselves from their resentment. These consumers change their behaviour when others are watching in order to improve their impression in front of them. This was particularly obvious in the special case of interviewee ‘Erik’ as can be noted from the subsequent statements.

If I don't tip I am afraid that I might be labeled greedy. I don't want to be labeled greedy. Specifically not in front of those other people also sitting at the table. [Erik]

I don't want people to spit in my food the next time, err, and I don't want the grudge of other people in general. [Erik]

The empirical data further gives occasion to suspect that Generation Y consumers, such as in the case of ‘Erik’, tend to construct their identity in front of or with the help of other people and are hence mainly extrinsically motivated. For these so-called ‘social-signalers’ it is essential that the act of paying under PWYW conditions is conveyed to others. Therefore, in an online environment in which no interpersonal contact exists, these ‘social-signalers’ would not pay after all. Furthermore, it underlines the assumption that there is a correlation between extrinsic motivation and social-signaling motives, meaning, when individuals are more extrinsically motivated they also tend to have a stronger need to show or ‘boast’ their good deeds to other people.

Having considered the empirical findings, they further provide evidence that in today’s consumer culture identity will be formed and constructed through a signaling mechanism. In

other words, parts of Generation Y consumers tend to pay because it is a gesture to the self or a gesture that is largely tied to other people and their surrounding. This in turn induces to believe that in offline environments both the self-signaling and the social-signaling model lead to non-selfish behaviour, meaning consumers will pay positive amounts in any case due to self- as well as social-signaling motives, whereas in online environments, only the self-signaling model leads to non-selfish behaviour. This is to say, 'self-signalers' do not rely on external forces because they mainly care about their self-image, which is why they are willing to pay positive amounts for digital products in an online environment.

4.2 Quasi-Experiment

The quasi-experimental design was chosen to investigate and detect whether an independent variable (social pressure and moral authority) has an impact on Generation Y consumers' paying behaviour. Therefore, creating modifiable variables for one anonymous and one non-anonymous setting allowed the researchers to examine whether Generation Y consumers are rather intrinsically or extrinsically motivated, considering the case of obtaining a music album under PWYW conditions. The quasi-experiment can therefore be considered an effective instrument to obtain authentic human behaviour. Further, it will be possible to use the findings for predicting general future trends concerning the marketing of digital products.

4.2.1 The Anonymous Group

The quasi-experiment was conducted in two groups, of which both were exposed to a dependent variable (purchasing behaviour), but only one to an independent variable (social pressure and moral authority). The control group represents the group that was solely exposed to the dependent variable. That is to say, the participants within this group took part in the experiment anonymously. The natural setting of the participants' private homes guaranteed an anonymous PWYW setting with no scope for personal interaction.

The received data show that 12 out of the 27 total - thus 44,5 percent of respondents from the anonymously operating control group paid positive amounts. Hence, 15 and thus the remaining 55,5 percent of respondents did not pay at all and downloaded the music for free. The amounts paid range from 0,50 to 12,00 euros and add up to 57,50 euros in total. Consequently, an average amount of 2,10 euros can be calculated.

4.2.2 The Supervised Group

As outlined above, the set up of the groups differs in its construction. Opposing to the control group the experimental group is supplementary exposed to the independent variable (social pressure and moral authority). The participants within this group were not anonym when

taking part in the experiment. By providing their name and being surrounded by several other people, the participants were subject to social pressure and a moral authority. Taken together, the conditions under which the experiment was conducted corresponded to an offline environment.

Identical to the anonymous group, 27 people participated in the experimental and thus supervised group. The empirical data show that 18 of 27 respondents - thus 67 percent of respondents from the supervised group paid positive amounts. Hence, only 9 respondents, the remaining 33 percent, did not pay and instead downloaded the music for free. The amounts paid range from 0,50 to 10,00 euros. The 27 respondents paid a total of 68,48 euros, which amounts to an average price of 2,50 euros.

4.2.3 Inferences from Experimental Findings

The results of the experiment confirm the assumption that more people pay when being observed than when being in an anonymous environment. In other words, being monitored or in private causes a difference in peoples' paying behaviour, and thus the paying behaviour in online and offline environments differs.

As laid out above, 44,5 percent of respondents of the anonymously operating group paid positive amounts under PWYW conditions, whereas in the non-anonymous and supervised group approximately 22 percent more (67%) paid positive amounts. While the former group (anonymous group) paid 57,50 euros in total and 2,10 euros on average, the supervised group paid a total of 68,48 euros with a greater average amount of 2,50 euros. Similarly to the number of respondents paying, the average price within the supervised group is by 16 percent higher than the one within the anonymously operating group. In order to provide a better overview, the results of the quasi-experiment are summarized in table 4-1.

	Offline Environment	Online Environment
Group	Supervised	Anonymous
Participants	27	27
Positive Amount Paid	67 %	44,5 %
Negative Amount Paid	33 %	55,5 %
Price Range	0,50 – 10,00 Euros	0,50 – 12,00 Euros
Total Amount Paid	68,48 Euros	57,50 Euros
Average Amount Paid	2,50 Euros	2,10 Euros

Table 4-1: Results from the Quasi-Experiment

All in all, it can be observed that the control group – the one executing the experiment anonymously – is rather obliged not to pay and thus exploits their anonymity. The results

from the supervised group on the other hand indicate, that social pressure and a moral authority positively affect their paying behaviour.

As outlined above, it can be argued that the paying behaviour differs when people are exposed to different environmental premises as in online and offline environments. This matter of fact is supported by the controversial assumption in experimental and behavioural research of the ‘dictator game’, in which several scholars argue that the dictator’s behaviour results from pure altruistic characteristics of an individual, whereas opponents stress that the experimenter’s role and the wide array of social factors in general have significant impact on the ‘dictators’ behaviour. Regarding this last assumption, the ‘dictator’ would neither want to be labeled greedy nor be excluded from future experiments, and thus the dictator’s behaviour is confounded by the so-called ‘experimenter demand effect’ and not exclusively by its altruistic behaviour (Bolton, Katok & Zwick 1998; Zizzo, 2010).

Therefore, social pressure and moral authority (here: ‘experimenter demand effect’) positively affect the paying behaviour of the probed Generation Y consumers, which can also be observed in the quasi-experiment of the study. This is also evidently stated in the results showing that the number of respondents who paid is 22 percent and the average price paid is 16 percent higher than those in the anonymous group. In fact, the results show differences, and thus indicate that the PWYW pricing model can be more successful in offline settings. However, it should be taken into account that the number of respondents paying and the prices paid do not differ tremendously but only marginally.

To sum up, when implementing the PWYW pricing model on the Internet it seems to be essential to calculate a certain amount of loss. The findings as well as practical cases suggest, that approximately 55 percent of the buyers do not pay, exploit their anonymity and take digital content for free under PWYW conditions. Nevertheless, this fact should be considered under the premise that more people might be attracted by the innovative PWYW pricing mechanism. Additionally, the innovative pricing model may grant greater publicity for companies in the form of word of mouth and public relations, and therefore the PWYW pricing mechanism can still be regarded a promising pricing strategy.

4.3 The Findings Pertaining to Consumer Culture Theory

The intrinsic motives *fairness & reciprocity, altruism, satisfaction, loyalty, compensation and support* as well as the extrinsic motives *income, social obligations & norms and personal contact* as revealed from the interviews (see Figure 4-1) lay the foundation for the investigation of consumers’ identity construction.

Based on these motives it can be captured that people pay positive amounts, because they want to send positive signals to themselves (self-image) or to others (social-image). Paying under PWYW conditions is thus driven by self-image and social-image concerns, and this

particular behaviour assists postmodern consumers in constructing their identity (Featherstone, 1991; Firat & Venkatesh, 1995, Grossman, 2010). In postmodern society it is argued, that each and every consumption choice assists in constructing one's identity, as consumption plays an essential role and serves to create a desired self (Belk, 1988; McCracken, 1988; Featherstone, 1991; Firat & Venkatesh, 1995, Slater, 1997). Consequently, the complex digital and interactive marketplace builds a place of action, from which consumers derive meaning. Moreover, this offered stage provides consumers with numerous resources for self-expression and identity construction (Schau & Gilly, 2003; Thompson & Arnould, 2005). In this regard, the interview data support the assertion that the PWYW pricing model can be considered as marketer-generated material with the purpose of constructing stable and harmonious identities. Additionally, the interview data show, when expressing pro-social behaviour under PWYW conditions, Generation Y consumers stabilize their identity - hence, they achieve a sense of being fair in more complex and uncertain environments like the Internet. The interview data therefore puts emphasis on the assumption that the PWYW pricing model can be considered as an instrument to construct and maintain a desired self. This in turn implies, that symbolic meaning can be transferred by means of the PWYW pricing mechanism, as this offers flexibility as well as social elements that satisfy Generation Y consumers' needs and values. This is in line with Kozinets (2001) who claims that the marketplace produces market-generated material that consumers inhabit in order to pursue personally edifying goals and thereby align their identities.

Furthermore, the interview data provide evidence that Generation Y consumers consider the PWYW pricing model as a marketplace ideology in which they can perform an act of non-conformist consumption. In this context, it can be captured that consumers might position the pro-social consumption act under PWYW conditions as a self-expressive style of art as empowered and active co-pricing consumers. According to several statements of the interviews the PWYW pricing model applied in an anonymous environment helps them to construct the desired self without being forced by social norms or interpersonal action, and thus provides them with a feeling of autonomy and flexibility. This also supports the theory that the PWYW pricing mechanism quenches their thirst for authenticity and 'Gemeinschaft' (Corrigan, 1997; Kotler, 2010; Tönnies, 2002; Kozinets, 2002), which is particularly valued by Generation Y consumers.

4.4 The Findings Pertaining to Behavioural Economic Theory

In line with the interview data, it is assumed that the extrinsically motivated segment of Generation Y consumers has mostly taken advantage of their opportunities under the PWYW pricing mechanism, while the intrinsically motivated segment rather paid positive amounts expressing, for example, fair and altruistic behaviour.

In this regard, for the more extrinsically motivated and ‘social signaling’ Generation Y individuals, neoclassical economy suggests the explanation of the ‘homo economicus’ or ‘rational agent’ model, which postulates that individuals mostly maximize their utility in order to achieve the possibly highest amount of profit for themselves (Persky, 1995). Therefore, under the PWYW pricing mechanism, this group among Generation Y consumers acts in their own self-interest, and thus takes the digital content for free in order to maximize their utility and pursue an optimal outcome for themselves.

Contrary to the prediction of the theoretical ideal of the ‘rational agent’, the group of ‘homo reciprocans’ among Generation Y consumers can be regarded as mainly intrinsically motivated due to expressing ‘self-signalers’ characteristics. Their pro-social behaviour cannot be explained by the standard economic concept of the ‘homo economicus’. As a result, in the context of the PWYW pricing mechanism, the model of the ‘homo reciprocans’ provides a more sensible explanation for ‘self-signalers’ behaviour. Contrasted to the ‘homo economicus’ model the concept of the ‘homo reciprocans’ stresses that individuals care about the well-being of others, generally want to improve their surrounded environment, and are largely motivated by a wish to be cooperative (Dohmen et al. 2009). In accordance with economic anthropology, the theory of the ‘homo reciprocans’ assumes, that the choices individuals base their decisions on concerning production and exchange of marketer-generated material follow patterns of generosity, reciprocity and altruism (Cox, 2011). This perception differs considerably from the ‘rational agent’ approach within the ‘homo economicus’ model.

The findings of the research provide support that under the PWYW pricing mechanism individuals show characteristics of both the model of the ‘homo economicus’ as well as the model of the ‘homo reciprocans’. In other words, consumers are guided by material self-interest on the one side and motivated by concerns of altruism and reciprocity to improve their surrounded environment on the other side.

In general, the concept of the ‘homo reciprocans’ can be considered as an extension of the ‘homo economicus’ model owing to the fact that it considerably goes beyond the outcome-oriented motives that define the ‘homo economicus’ model. Furthermore, the concept of the ‘homo reciprocans’ takes into account the individual’s urge to cooperate and share with others. The existence of such behaviour becomes evident in contemporary market society as individuals give money to charity or volunteer for public services. In the context of postmodern society, the character of the ‘homo reciprocans’ might therefore constitute a more sensible definition of Generation Y consumers. Since the concept of the ‘homo economicus’ does not take into consideration an individuals’ cultural and social circumstances, and further assumes that individuals live in isolated environments, the model of the ‘homo reciprocans’ generally coincides postmodern Generation Y consumers in today’s consumer culture better.

Although, the traditional model of the ‘homo economicus’ seems to be a somewhat outdated concept, the results implicate that under the PWYW pricing mechanism the model is still vivid. As further analyzed from the experiment, it has to be noticed that the distribution of individuals belonging to ‘homo reciprocans’ and ‘homo economicus’ differs in offline and online settings as illustrated in the following figure.

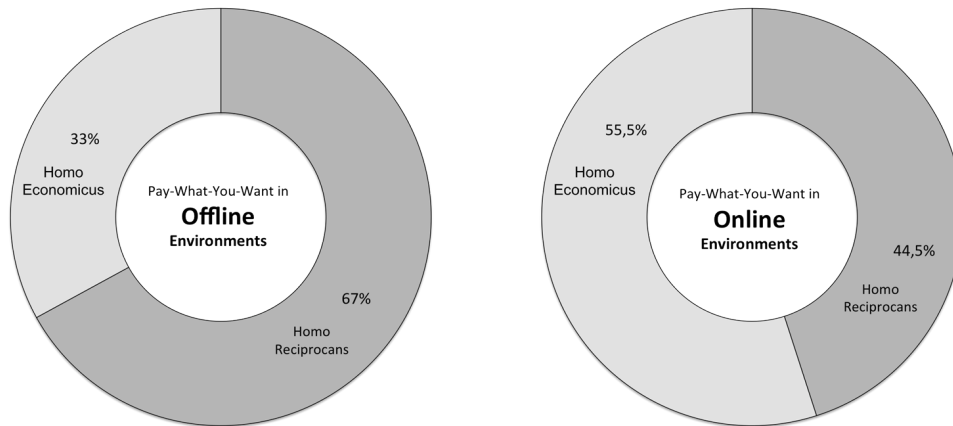


Figure 4-2: Relation of 'Homo Economicus' and 'Homo Reciprocans' in Offline and Online Environments

In an online environment more Generation Y consumers show ‘rational agent’ characteristics, which might lead back to the fact that the Internet is perceived as a free-of-charge culture. This assumption is supported by the findings of the focused interviews in which the respondents expressed a wide agreement on this fact. On the Internet digital content is considered free by numerous Generation Y consumers even though not all of the consumers take advantage of it. Despite their generic social attitude, software piracy and other illegal behaviour on the Internet are widely tolerated by Generation Y consumers.

CONCLUSION

CHAPTER 5

CONCLUSION

In this chapter an overview of the findings and results from the aforementioned chapter will be presented. The research question presented in chapter one will be answered, and finally the theoretical contributions and managerial implications as well as limitations and suggestions for future research will be outlined and bring this paper to an end.

5.1 Answering the Research Question

By conducting focused interviews a comprehensive set of consumer motives was compiled and by extension based on a categorization of intrinsic and extrinsic motivations of Generation Y consumers. The rich interview data gathered by means of eight conducted interviews, allowed the researchers to answer the first sub-question *What are the driving extrinsic and intrinsic motives that affect Generation Y consumers' paying behaviour under PWYW conditions?* as follows.

Based on the data conducted from the interviews, it was found that Generation Y consumers are motivated by both extrinsic and intrinsic motives, which induced the researchers to undertake a classification into these two forms. On the one hand, six driving intrinsic motives could be identified. These six most distinct intrinsic motives are *fairness and reciprocity, altruism, satisfaction, loyalty, compensation, and support*. On the other hand, three complementary extrinsic motives add to the picture of Generation Y consumers driving motives. These three extrinsic motivations are *income, social obligations and norms, and personal contact*. Taken together, a comprehensive set of motives (see Figure 4-1) unveiling the reasons lying behind Generation Y consumers' paying behaviour under PWYW conditions across online and offline environments was discovered.

Based on these motives the interview data indicates that in postmodern society people pay positive amounts because they want to send positive signals to themselves (self-image) or to others (social-image). The assumption that a correlation between intrinsically motivated individuals and 'self-signalers' as well as extrinsically motivated people and 'social-signalers' exists is supported and delineated in the following.

On the one hand, the outcomes stress that individuals among Generation Y consumers express social characteristics by being altruistic and fair, which is also clearly demonstrated in their paying behaviour, as they want to send positive signals to themselves when paying under the PWYW pricing mechanism. In case consumers feel forced to pay or tip through social norms or interpersonal relations, such as in restaurants, these norms or relations might actually have counterproductive effects crowding out their intrinsic motives, thus harming their self-image, and moreover leading to a generally negative perception of a product or even brand. For these consumers, also referred to as 'self-signalers', it is essential to do good and be fair in order to

construct and maintain their self-image. The PWYW pricing model provides them with a feeling of autonomy and flexibility, which is especially valued by Generation Y. As mentioned before, consumers feel more respected and empowered by the added trust and flexibility of the PWYW pricing mechanism, and their own pro-social behaviour helps them to construct a desirable identity in a complex postmodern and digital environment. All these are integral attributes in today's consumer culture and thus help to increase consumers' intrinsic motivation (Deci & Ryan, 1985, Hershatter & Epstein, 2010). Moreover, the pricing model offers a grand opportunity for Generation Y consumers (particularly the 'self-signalers') to accentuate their social characteristics through the participative character and the offered freedom of choice.

On the other hand, there are individuals mainly driven by extrinsic motives. These Generation Y consumers tend to have a stronger need to define themselves through other people, and are thus labelled 'social-signalers'. In order to construct an optimal impression in front of other people, their self-presentation is guided by public feedback. In this context, they also have a strong desire to be noticed and valued by others. It is moreover important what other people think and how they evaluate them. Particularly in today's consumer society in which identities are easily considered fragile and unstable, consumers tend to have a strong desire to proof and define themselves in front of other people (Arnould & Price, 2000; Keller, 1992).

It is thus assumed that the PWYW pricing model is more successful in an online environment if people are mainly 'self-signalers'. In an offline environment both 'self-signalers' and 'social-signalers' pay positive amounts and hence show non-selfish behaviour. In this case it is not only due to altruistic and fair motives, but also to extrinsic motives such as personal contact or social norms. This matter of fact is also demonstrated by several empirical offline studies such as in the cases of restaurants or cinemas (Kim, Natter & Spann, 2009; Riener & Traxler, 2012). However, contrasted to an offline environment, in an online environment merely the self-signaling model leads to non-selfish behaviour and therefore to positive amounts in the paying process under PWYW conditions. This is to say, only people placing value on their self-image are willing to pay positive amounts for digital products they otherwise might receive for free on the Internet.

The second sub-question *How does the contextual influence of online and offline environments affect Generation Y consumers' paying behaviour under PWYW conditions?* was investigated and examined by means of the quasi-experiment. The PWYW pricing model was tested in a real-life setting and thus served to receive authentic consumer behaviour and provide implications for general trends.

As the findings of the quasi-experiment demonstrated, more people pay when being observed than when being by themselves - hence anonymity. With a difference of 22 and 16 percent the number of respondents paying in the supervised group as well as their average amount paid (respectively) are greater than those in the anonymous group (see Figure 4-2). Therefore, it

can be argued that social pressure and a moral authority positively affect Generation Y consumers' paying behaviour.

The figures of the two groups from the quasi-experiment in fact show differences in the results and indicate that in general the PWYW pricing mechanism will be more successful in offline settings, however the differences in the number of respondents paying and the prices paid do not differ tremendously but only marginally. Therefore, the PWYW pricing mechanism can still be regarded a promising pricing strategy. The results of the quasi-experiment provide evidence that PWYW as a pricing strategy can retain its profitability in online environments, although, like in the case of the band Radiohead, not all consumers pay positive amounts. Consumers that exploit their anonymity and take digital content for free must be expected under PWYW conditions in any case, and thus a certain loss of revenue must be calculated at all times.

Therefore, the study's empirical findings permit the statement that the PWYW pricing model represents a viable and promising online pricing strategy, particularly opposed to the unavoidable alternative that includes illicit copying and downloading. This is also supported by the fact that such innovative pricing strategy might attract more consumers than conventional pricing strategies. It can thus be assumed that the quantity of positive amounts balances the loss made with negative (zero) amounts.

The key objective of this study was to examine consumers paying behaviour in an online environment under PWYW conditions, and thus the main research question of this study *Why do Generation Y consumers pay for digital products in an online environment under PWYW conditions?* was discussed in the foregoing and is encapsulated in the following lines.

It was demonstrated that both intrinsic and extrinsic motives as well as being monitored or being in private affect Generation Y consumers' paying behaviour under PWYW conditions. Moreover, the authors argue that a correlation between rather intrinsically motivated individuals and 'self-signalers' as well as rather extrinsically motivated individuals and 'social-signalers' exists. The study therefore proposes that compared to offline environments, fewer Generation Y consumers pay positive amounts for digital products in the Web, but when they express such pro-social behaviour, it is driven by intrinsic motivation and thus self-image concerns, assisting consumers to construct stable and harmonious identities in postmodern society.

5.2 Theoretical Contributions

The study at hand is a contribution to the comparatively new domain of the PWYW phenomenon subjected to diverging environments at large, and particularly contributes to a previous body of research in motivation and behavioural economic theory as well as CCT of

which its two domains ‘consumer identity projects’ and ‘marketplace cultures’ are enhanced more precisely.

According to the knowledge of the researchers, this study is the first examination of the PWYW phenomenon that is framed and investigated within CCT, more specifically in the domains of ‘consumer identity projects’ and ‘marketplace cultures’. In line with CCT the findings of this study provide empirical evidence that consumers construct and maintain their desired self through consumption. Generation Y consumers use market-generated material such as the PWYW pricing model as an instrument to construct a stable and harmonious identity (Featherstone, 1991; Firat & Venkatesh, 1995, Slater, 1997). With regards to the PWYW pricing mechanism, the study proves that Generation Y individuals position and pursue personal goals as well as align their identities with selected market-generated material in postmodern society. Therefore, this study confirms CCT’s assumptions and contributes with new insights on identity construction among Generation Y consumers.

This paper additionally contributes to motivation theory by providing a comprehensive set of underlying motives regarding the PWYW phenomenon. Particularly, the study compares intrinsic and extrinsic motivations across online and offline environments as well as develops a comprehensive framework to understand the underlying mechanism of the PWYW phenomenon. According to the knowledge of the researchers no academic literature exists in this field of research yet, and thus the study contributes with an initial foundation for further investigations and research projects in this area, especially in motivation theory in anonymous environments such as the Internet (see Figure 4-1).

Another relevant theoretical contribution is concerned with the field of behavioural economic theory. The findings contribute to this field of research and demonstrate that Generation Y consumers show non-selfish behaviour as well as selfish behaviour in both offline and online environments. However, a higher number of Generation Y consumers have acted selfishly in an online environment. This insight might help to increase the understanding of how markets, particularly online markets work in general in order to design institutions and pricing models based on these findings. The results further provide evidence of the existence of the recent model of ‘homo reciprocans’ based on the finding that consumers don’t act purely selfish in the market. Nevertheless, the concept of ‘homo economicus’ is still evident, particularly in an online environment. This aspect further provides insight into behavioural economic theory and should be taken into consideration when constructing or modifying economic models. Furthermore, the findings can provide implications on combining the models of ‘homo economicus’ and ‘homo reciprocans’ in order to attain a more accurate model for online settings.

The theoretical insights from the results of the study are likewise relevant for other disciplines and could be related and transferred to the fields of business, psychology, sociology and anthropology.

5.3 Managerial Implications

From 1.15 to 2.4 billion the worldwide Internet population has more than doubled in the last five years (Internetworldstats, 2013). This drastic movement shows that today's businesses not merely act in a social environment but in a digital environment as well (transition from Web 1.0 to Web 2.0), and further have to rethink what customers value, and create aligned business models that fit into these transformations (Winer, 2009). A new communication paradigm has been introduced to the business world. In this so-called 'participatory paradigm' people exchange their ideas on online platforms and constantly engage in dialogues with other individuals, brands and companies (Sheenan, 2010). Considering this shift in the business world, both consumer behaviour as well as marketing strategies are strongly influenced and affected by the new communication paradigm. Lately, consumers have been empowered and are fond to actively participate in production processes by using the Internet as a virtual marketplace to construct their desired identity. Furthermore, the digital environment eases communication in general, influences the buying and shopping behaviour of consumers and helps to facilitate the transaction process between buyers and sellers.

In keeping up with the technological advances, numerous researchers stress that the business world, particularly marketing professionals, have to adapt all areas of communication to this newly combined digital and social reality (Kotler et al., 2010; Scott, 2007; Sheenan, 2010). In this regard, the PWYW pricing mechanism suits the movement and new concept towards a 'participatory paradigm' because of several reasons including the level of control offered to customers, the participatory and social element, as well as the novelty of the mechanism itself. The PWYW pricing model can help transform business models, drive greater customer interaction and collaboration and thus create competitive advantage for companies (Wind, 2008). Due to their special characteristics, especially Generation Y consumers are assumed to adopt the new pricing mechanism easily. However, it has to be mentioned that this is not a binding statement that can be made for all Generation Y consumers, but rather for a part that shows certain relevant self-signaling characteristics.

Furthermore, pricing in online services is a difficult venture, particularly for the digital industry. The music and film industry has been turned upside down by the challenges of distribution issues on the Internet and its related piracy. Also, news and online streaming websites are searching for new alternatives eluding both the free-of-charge culture and conventional pricing mechanisms. Currently, these websites earn money by 'spamming' consumers with advertising not charging any money for downloads. Prospectively, the PWYW pricing model could disrupt the current ways of doing business in this industry, and possibly offer a solution to transform the digital media industry.

Generally, the digital industry is of particular interest for the new PWYW pricing model, as issues in implementing and adjusting conventional pricing models still prevail in the Web. Consequently, the PWYW pricing mechanism offers an innovative way to build value and

means of income, and provides a possibility against illicit copying and downloading in online environments. Moreover, the production of digital products is marked by low managerial costs, which means that it is usually cost-intensive to produce first units of products but rather cheap to deliver subsequent units. This in turn, assists to minimize companies' or artists' risk of implementing the PWYW pricing model in their marketing strategies. Even if prices paid are very low and a certain percentage of consumers might not even pay at all, the PWYW pricing model constitutes a promising online pricing strategy. This is also underpinned by the premise that sellers of digital products perpetually have to calculate a certain amount of loss, and opposed to the scenario of receiving no revenues at all due to illicit downloading, it should be a preferable option. To prove its strength, the applicability of the PWYW pricing mechanism in an online environment is, for example, supported by the case of the band Radiohead. When the band offered its album 'In Rainbows' under PWYW conditions, according to singer Tom Yorke, the band achieved a higher profit with this album than with all other studio albums before (Kim, Natter & Spann, 2009). As similarly observed in the quasi-experiment of this study, a majority of the downloaders paid nothing at all while approximately a third of them paid appropriate prices. The trial was an enormous success, and above all, profitable (Heise Zeitschriften Verlag, 2013). Furthermore, the success of the platform 'Humble Indie Bundle' that applies PWYW as its pricing strategy indicates the strategy's applicability and feasibility in an online environment. To the present day, their offered bundles (more than 20) generated a total of over 33 million US-dollars in revenue (Humble Bundle, 2011).

Nevertheless, despite these attractive examples of the PWYW pricing model in the Web, it is important to stress that certain obligations and conditions seem to be necessary to turn the PWYW pricing model into a viable and successful pricing strategy. In accordance with the empirical findings of the study as well as companies or platforms that have already implemented the PWYW pricing mechanism, a number of conditions are regarded as helpful. For instance, a reference price could help to make the pricing mechanism more profitable and successful, as consumers often struggle to find an appropriate price for digital content. With this in mind, giving an orientation point for a suitable price seems to be a plausible possibility in order to guide consumers. Consistent with the interview data consumers feel more comfortable when knowing an appropriate price for the digital product. If the information of a reference price is missing it could lead them to neither purchasing nor taking for free the music under PWYW conditions. Surprisingly, this contradicts Johnson & Cui's (2013) finding that no external reference price is most beneficial for companies applying the PWYW pricing mechanism.

Further, supported by Gneezy et al. (2010) the pricing mechanism combined with charitable activities might also underline the social element within the PWYW pricing strategy. If half of the contribution goes to charity like in the case of the 'Humble Indie Bundle' platform people will be motivated to give more money, because they might accredit the meaningful activity

behind it. This fact is also underlined by some of the interviewees' statements preferring the PWYW pricing model for its social element.

Moreover, the novel PWYW pricing mechanism in online environments might be considered a tremendous marketing tool and an innovative promotion strategy for musicians and game developers in order to attract publicity, particularly in the beginning of their careers. As supported by the empirical findings, it can be assumed that the PWYW pricing mechanism might increase word of mouth as well as create a positive brand image among consumers. This in turn is attributable to the fact that Generation Y consumers particularly appreciate values such as autonomy and flexibility, and therefore, as the largest group among Internet users, might easily adopt the innovative PWYW pricing mechanism.

Consistent with the interview data, the pricing mechanism also seems more suitable for unknown artists contrasted to popular and wealthy artists. In this context, it might be seen as an alternative to conventional business models and a promising chance for unknown artists such as musicians or game developers to attract attention and gain popularity. The voluntarily payments of the consumers might be strongly influenced by this circumstance as clearly expressed in the findings from the interviews and summarized in the motive of *support*.

In general, the pricing model cannot be applied to all products or the mass market. The digital product industry is particularly suited due to low managerial costs and an often close and emotional relationship between the buyer and seller. In line with the empirical data and the motive of *loyalty*, a close and emotional contact is considered beneficial when implementing the PWYW pricing mechanism.

Additionally, the success of the PWYW pricing model might be influenced by the age group of the buyers as claimed under the motive of *income*. If those individuals buying digital products are working and have a regular income, this might be expected to positively influence the prices paid, and thus the PWYW pricing model might be more successful.

Further, the pricing mechanism might be used as a part-time strategy but not as the only business model. For instance, it could be applied as a promotional instrument in order to attract people to listen to the music or play the video game as well as to receive attention from the media or public. In this regard, it could also provide an alternative for free samples in promotional strategies.

To sum up, companies providing digital content might improve the profitability of the PWYW pricing model when taking the above-mentioned requirements and conditions into account. As the most radical participative pricing mechanism the PWYW pricing model could be a promising strategy for digital products in an online environment. Companies marketing digital content could benefit from the PWYW pricing model because it offers a way for consumers to engage with businesses, encourage fair levels of pricing as well as a high level of control and freedom to determine the price. As a result, the innovative pricing mechanism matches the preferences of Generation Y consumers, suits the transformations of today's

postmodern digital and social business world and thus creates competitive advantage for companies. Further, it disrupts current ways of doing business in dynamic and fast-moving online markets and shows an innovative way to build value and means of income, and possibly offers a solution to address illegal online behaviour. The new pricing model offers the possibility to participate, interact and engage with digital content producers in the dynamic online environment. For marketing and marketers in general, it is important to realize that particularly Generation Y consumers are less selfish than initially thought, which allows them to design new, innovative marketing policies, as for example the PWYW pricing mechanism, and give consumers more control, as that can be more effective than conventional and strict marketing policies.

5.4 Limitations and Future Research

During the course of this study the researchers gathered new insights about the novel phenomenon of PWYW pricing mechanism, managed to answer the posed research questions, and successfully completed the work in the end. Yet, it has to be acknowledged that certain limitations go hand in hand with research projects, and the researchers by no means intended to be exhaustive or all inclusive. Ultimately, future research is indispensable.

Making use of qualitative research methods generally implies a number of limitations concerning the quality of the research. Personal biases and idiosyncrasies, rigor as well as issues of anonymity and confidentiality have to be considered and managed appropriately. Furthermore, albeit data was collected in a highly natural setting, merely hypothetical scenarios were used in the quasi-experiment and hence, participants did not have to spend real money, but only participated and spent money virtually. Hence, future studies should examine the phenomenon in the context of an online environment by means of real purchases. Another limitation is the transferability of the findings to other industries. Owing to the fact that only products from the digital industry, which on top represent a rather emotional issue than other products or industries, are subject in the study, the findings are specific for this researched industry and therefore not generalizable. Moreover, to prevent influences of cultural bias exclusively German culture was focused in the study. This circumstance certainly limits the generalizability with regard to other cultures. Societies culturally closer to the German can still be regarded as similar, yet no valid predictions about PWYW pricing model's suitability in other countries can be made. Similarly, the study was solely conducted among Generation Y consumers, which leads the researchers to claim that no inferences can be made for older and younger generations, as for example Generation X or Generation Z. Finally, considering the time limit given for this thesis, it is unfeasible to control the above-mentioned factors without having detrimental effects on the overarching quality of the research.

In spite of the fact that the study at hand delivers new insights to the research fields of CCT, motivation theory and behavioural economic theory several directions for further research can be detected. As research on the PWYW phenomenon still is in its early stages, many issues as well as interesting questions concerning the novel pricing mechanism are unresolved and remain open for future research.

First, the researchers notice that there are several conditions under which the PWYW pricing mechanism in an online environment seems more profitable than regular fixed price strategies. Thus, a relevant research aspect in terms of a seller's objectives is to analyse as well as compare the costs and benefits of varying pricing designs within the PWYW strategy or generally other participative pricing mechanisms. Moreover, a more detailed identification and analysis of suitable products or product categories, especially marketed on the Internet, should be investigated in future research. As consumer behaviour significantly differs in online and offline environments promising product attributes, especially with regard to the notably different features of online environments should be examined for PWYWs success in this setting. Relating to this research aspect, different distribution channels represent a further area associated with the PWYW phenomenon. Another promising expansion can be the examination of other influencing factors as for example the paying method (e.g. Paypal or Credit Card) within PWYW offers, which is an important issue when it comes to PWYWs success in an online environment. Finally, it would be interesting to research intercultural differences in buying and paying behaviour under PWYW conditions. While the study at hand is constrained to German participants only, it is expected that other nationalities with diverse cultural backgrounds yield differing findings and thus deviant insights about PWYWs suitability in an online environment. As many companies, bands or artists work internationally on the Internet, cultural differences are a determining aspect to consider when using the novel pricing mechanism. Hence, further research is required in this field of study.

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APPENDICES

Appendix A: Interview Guide

Preparation

- Ensure that the interviewee is comfortable.
- Explain shortly the purpose of the Interview.
- Explain shortly the Pay-What-You-Want pricing mechanism.
- Explain the format of the interview and how long you expect it to take: Anonymous and 30 -40 minutes.
- Ask if the interviewee has any questions before beginning the interview.
- Ask for permission to record the interview. Periodically verify that the recording program is working.

Personal information/ Background

- Can you briefly tell us something about yourself? E.g. age, occupation, etc.
- What do you usually do in your free time?
- What do you do when you are online? For what purposes do you use the Internet?

→ Introduce the quasi-experiment, show the ‘music website tool’ and let the interviewee conduct the experiment in order to visualize the new PWYW phenomenon.

- What is the first thing that comes to your mind about this pricing mechanism?
- Have you ever heard about such a pricing mechanism beforehand?
- Have you maybe already made use of a service or product that deploys this pricing mechanism? If yes, online or offline?

Intrinsic Motives:

Place yourself back in the situation when you used the ‘music website tool’ (reminder: example of a song on the radio and an artist who offers to sell his work under PWYW pricing mechanism).

- Would you pay for a product like that even though you have the opportunity to get it for free? How did you decide when you applied the experiment?
- Why would you pay something? What are the reasons?
- Why would you not pay at all? What are the reasons?
- How would you feel if you had paid something?
- How would you feel if you had not paid anything?
- Would you describe yourself as a rather generous person or a rather price-conscious person?
- Have you ever donated something?

Examples: SOS-Kinderdorf, Patenkind, other aid projects, etc.. Why did/ do you support such an organization?

- Would you say that donating money is comparable to PWYW?
Or, do you see any similarities to the PWYW pricing mechanism? If yes, what are these? If not, why do you think it is different?
- Back to music: If you know the artist, would your decision be any different as compared to if you would not know the artist?
- Do you make any difference between known (to you) and unknown (to you) artists?

Extrinsic Motives:

- Do you think that personal interaction makes a difference when using such a pricing mechanism?
- Are/ Were there other situations in which you give/ gave money even though you do/ did not have to?
- If so, what kind of situations are/ were those?
- Do you think that other people influence your decisions? If yes, how? If no, why not?
- Do you think that your environment affects your decision-making? If yes, how? If no, why not?
- Do you believe your current income is an issue if you think about whether to pay something or not?
- Do you think that you would act differently under different (income) circumstances?
- Can you think of other aspects that influence your paying behaviour?