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# Participatory Pricing in Sport: An Examination of Name-Your-Own-Price and Pay-What-You-Want Pricing [Abstract]

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**Participatory Pricing in Sport: An Examination of Name-Your-Own-Price and Pay-What-You-Want Pricing**

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**Marketing**

**Friday, May 31, 2013**

**20-minute oral presentation  
(including questions)**

**Abstract 2013-167**

**3:10 PM**

**(Room 412)**

The purpose of this study is to better understand the effects participatory pricing strategies have on consumer perceptions and behaviors in a sport event pricing scenario. Participatory pricing strategies are those that include the consumer in setting the final price of a good or service (Kim et al., 2009). These mechanisms include name-your-own-price (NYOP) and pay-what-you-want (PWYW). Primarily used in the tourism, music, and restaurant industries, the implementations of these pricing strategies are now being introduced into the sport industry. With the increased use of these strategies, and the lack of research in sport management pertaining to consumers' perceptions of price, specifically consumer voice in price setting, there is a gap in the literature that needs to be filled. This study attempts to fill this gap by investigating the consumer's perceptions of price fairness, perceived value, as well as consumer behavior (i.e. purchase intentions and willingness-to-pay), when encountering participatory pricing strategies.

The foundational theory used in this study comes from the price fairness literature; procedural justice (Xia et al., 2004). Procedural justice suggests that by including consumers in the price setting process, firms give them a voice (Park et al., 2010). In pricing, this is concerned with whether or not consumers feel they have some control over the way prices are set. While price setting control has been investigated in the sport industry, and its effect on consumer perceptions (see Greenwell et al., 2008), there is a gap in the literature pertaining to perceptions when they encounter participatory pricing.

This study used a quantitative experimental design to investigate the differences in perceptions and behavior. The experiment asked subjects to participate in a simulated ticket purchase experience. A convenience sample of college students (N = 684) from two universities in the Southwest, one small and one large university, was used. The sample consisted of 372 male (54.4%) and 307 female (44.9%) participants.

The participants were randomly assigned to one of the three treatments (e.g. NYOP, PWYW, and fixed price control group). The final sample size for each treatment was: a) NYOP (N = 215), b) PWYW (N = 246), and c) fixed price control group (N = 223). After the simulated purchase process occurred, participants were asked to answer a questionnaire related to their experience. Questions were developed from the extant literature regarding price fairness (Hermann et al., 2007), perceived value (Petrick, 2002), willingness-to-pay (Donaldson et al., 1997), and purchase intentions (Zeithaml et al., 1996). Results from Cronbach's alpha revealed there were no issues of internal consistency with any measure (Price Fairness = .865, Perceived Value = .828, Purchase Intention = .757; WTP was a single item).

Based on the extant literature in the areas of price fairness (Greenwell et al., 2008; Haws & Bearden, 2006; Park et al., 2010; Xia et al., 2004), perceived value (Han & Kwon, 2009; Kwon et al., 2007; Parasuraman & Grewal, 2000; Petrick, 2002), WTP (Donaldson et al., 1997; Homburg et al., 2005; Theysohn, 2006; Voelckner, 2006), and purchase intentions (Ajzen, 1991; Cronin et al., 2000; Wakefield & Barnes, 1996), the current study presents 6 testable hypotheses. H1 through H5 investigates the differences between experimental groups. H6 investigates a conceptual model investigating a relationship where price fairness influences perceived value, perceived value then influences WTP and purchase intentions.

The study used structural equation modeling (SEM) to assess conceptual model fit. In addition, multivariate analysis of variance (MANOVA) and analysis of variance (ANOVA) was used to assess difference between experimental groups based on the dependent variables. The analysis revealed there was a significant multivariate effect, Wilks'  $\lambda = .877$ ,  $F(8, 1354) = 11.477$ ,  $p = .000$ . To determine differences between groups, Duncan's post-hoc test was used.

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Results showed that the effects pricing strategies have on price fairness was significant,  $F(2, 680) = 4.695$ ,  $p = .009$ , partial  $\eta^2 = .014$ , accepting hypothesis 1. Specifically, the current study found that price fairness evaluations were significantly higher for the PWYW and fixed price groups, and lower for the NYOP group. In addition, the PWYW and fixed price groups did not differ based on price fairness. This suggests that while the fixed price strategy may be just as affective at influencing price fairness evaluations, PWYW may be able elude higher price fairness evaluations than the NYOP treatment.

In addition, results showed that the effects pricing strategies have on perceived value was significant,  $F(2, 680) = 11.631$ ,  $p = .000$ , partial  $\eta^2 = .033$ , accepting hypothesis 2. Specifically, the PWYW and fixed price were significantly higher than NYOP, but not different from each other. This suggests that the PWYW mechanism is better able to evoke perceived value following a purchase scenario than the NYOP treatment.

When investigating consumers' WTP, results showed that the effects pricing strategies have on WTP was significant,  $F(2, 681) = 18.355$ ,  $p = .000$ , partial  $\eta^2 = .051$ , accepting hypothesis 3. For example, the results reveal that consumers involved in the NYOP mechanism evoked higher levels of willingness-to-pay than PWYW and fixed. This suggests that while the NYOP treatment was not able to evoke more positive perceptions (i.e. price fairness and perceived value) than the PWYW or fixed groups, it was able to raise the participant's WTP in future decisions.

Hypothesis 4 states purchase intention evaluations will be significantly different between experimental groups. Results showed that the effects pricing strategies have on purchase intentions was not significant,  $F(2, 680) = 2.135$ ,  $p = .119$ , partial  $\eta^2 = .006$ , rejecting hypothesis 4.

Furthermore, the study also found that the final average price paid following the experiment differed based on the mechanism;  $F(2, 650) = 5.904$ ,  $p = .003$ , partial  $\eta^2 = .018$ , confirming hypothesis 5. The PWYW and fixed price mechanisms paid similar amounts, while both of them were significantly higher than the NYOP mechanism. The actual average price paid for the PWYW treatment was \$99.83 (SD = 62.008), fixed price group was \$101.71 (SD = 27.636), and NYOP was \$87.24 (SD = 56.917). This suggests that while one of the biggest concerns for the PWYW treatment is a low final average price (even \$0) this may not be an issue in a sport ticket pricing scenario.

Hypothesis 6 investigated the conceptual model fit. Results reveal model fit issues with model fit indices. Specifically, issues with CFI and TLI are revealed. Study limitations and future research will be included in the presentation.