

PARTICIPATORY PRICING IN SPORT: AN EXAMINATION OF NAME-YOUR-
OWN-PRICE AND PAY-WHAT-YOU-WANT PRICING

A Dissertation

by

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ABSTRACT

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. These mechanisms include name-your-own-price (NYOP) and pay-what-you-want (PWYW). 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 investigates 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 following dissertation presents a quantitative experimental design, asking subjects to participate in a simulated ticket purchase experience. Difference between experimental groups was assessed based on price fairness, perceived value, willingness-to-pay, and purchase intentions.

Results indicate there is a significant difference between participatory pricing groups and traditional fixed price groups when examining price fairness, perceived

value, willingness-to-pay, and final average prices paid. Specifically, price fairness evaluations were significantly higher for the PWYW and fixed price groups, and lower for the NYOP group.

In addition to the price fairness differences, the groups differed on their evaluations of perceived value (PWYW and fixed are the same, both higher than NYOP). Furthermore, the results reveal that consumers involved in the NYOP mechanism evoked higher levels of willingness-to-pay than PWYW and fixed.

Furthermore, the study also found that the final average price paid following the experiment differed based on the mechanism. The PWYW and fixed price mechanisms paid similar amounts, while both of them were significantly higher than the NYOP mechanism. 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. Study limitations and future research are included in the following dissertation.

DEDICATION

For my wife, Kristin

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Above all else, I would like to acknowledge that nothing I have been able to accomplish thus far in my life would be possible without my Savior Jesus Christ. He is the reason for my life; His sacrifice is the reason I am alive today. This dissertation is just another example of how His love, strength, wisdom, and power have enabled me to serve Him. I pray my life be a reflection of Him.

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CHAPTER I

INTRODUCTION

One of the biggest concerns for sport and entertainment event marketers is filling venues when there is a low demand for the event. This low demand has been expressed by executives of professional sport organizations. Teams are continuing to compete with the couch at sporting events. In other words, teams seek ways to make attending a sporting event more attractive (i.e. interactive entertainments, tailgating, fan social events, etc.) than sitting at home on your couch.

This competition has not gone unnoticed by professional sport teams. For example, teams are beginning to set record low attendance figures (Sport Business Daily, 2011). With the prevalence of ticket purchase mechanisms (i.e. team websites, secondary ticket markets, on site purchases, etc.), event marketers seek ways to break through the proliferation of ticketing outlets to capture as much of the consumer's expenditures as possible.

One explanation for unsold tickets is the lack of price acceptability. For example, fans may deem the price of a ticket to be too high for an event, especially if it is at an adverse time of the week, or against an undesirable opponent (Rascher, McEvoy, Nagel, & Brown, 2007). This might cause fans to spend their discretionary income elsewhere, or stay at home to watch the game. This unacceptable price for some can reduce the demand for that specific game. The problem is, the supply never changes for an event (i.e. set number of seats in the facility). This lowered demand with constant supply will likely lead to a loss in potential revenue (Winfree & Rosentraub, 2012).

Another problem arises when prices remain constant for a low demanded event; fans skip the team's ticket office and go to other ticket outlets to find price discounts. For example, fans might go to the secondary ticket market to purchase those tickets (e.g. StubHub, Ticket Exchanges, or Ebay). The problem is that those fans selling the tickets purchased the tickets at a slightly lower price than face value, and are also seeking a profit from the exchange. This can cause the prices to be cheaper, but not all of the time.

When consumers are not able to receive price discounts to lower demanded games, the team will likely struggle with attendance. In today's sport industry, marketers are realizing the need for optimal pricing of goods and services, and constantly seeking to determine what that looks like. Some of these teams have tried variable ticket pricing (Rascher et al., 2007). In this scenario, teams change the price of the ticket based on several variables (i.e. day of the week, opponent, etc.). Regardless of the variable causing the price change, the change is based on demand. If the consumer demand is increased, so will the price. One of the biggest downsides to this pricing mechanism is that these prices are based on historical figures and are set at the beginning of the season.

A problem may arise with the variable ticket pricing scenario when demand for a game changes midseason (i.e. team begins to have a losing season). There is a possibility demand might also change, along with the consumers' price tolerance. The consequences of this would likely be low attendance at potentially high demanded games. Some teams like the idea of changing the price based on the demand for the game, but do not implement variable ticket pricing. These teams sometimes use dynamic pricing. In this scenario, teams make changes to the price of the ticket relatively close to

the game's start time. In other words, by offering a dollar or two off, the teams would try to change the demand for that individual game while leaving the base price constant for future games.

Consider a situation where fans deem the fixed price to be too much for the characteristics of that game (e.g. weeknight, poor opponent, or a poor win/loss percentage). From a supply and demand perspective, event marketers understand that their demand is low and by keeping their price fixed they will likely have fewer purchases (assuming they have an elastic demand curve). Therefore, they want to increase demand and encourage people to come to the game. Traditionally, sport teams would offer discounts for unsold seating sections (Leeds & Von Allmen, 2011). Teams may make this part of a packaged deal (e.g. family night – four tickets, four hot dogs, and four drinks for a fixed-price). Regardless of the discounting method, the team realizes that if they do not change their prices, consumers may try to find the tickets elsewhere (i.e. secondary ticket market), or find something else to do that night.

In addition to issues of supply and demand, event promoters also realize that if the fan buys the ticket, the fan will also likely spend money on other revenue generating items at the facility (i.e. parking, concessions, merchandise, etc.). Several scholars have argued that the marginal cost for sport events (i.e. the cost of allowing one more fan into the event) is close to zero until the facility is sold to capacity (Alexander, 2001; Leeds & Von Allmen, 2011). In other words, if event marketers give fans a price break, it will cost the team very little (until the facility is sold out), compared to if no discount was given and the fan did not purchase the ticket.

Regardless of the supply and demand of an event, both fans and sport organizations are looking for a reasonable price; one that is deemed as being fair by both parties (dual entitlement theory; Haws & Bearden, 2006). Both sides also want the consumer to come to the game and have a good time. However, the team needs to find a way to give the fan a price they deem as being fair, and get the fan to purchase through the team box office/website.

One way this problem has been solved in other industries is through participatory pricing strategies. So, what would happen if the team involves the fan in setting the price for the ticket? Would the fan be more likely to purchase the ticket? Would they find the price to be fair? Would they value the good or service? How much would the fan be willing to pay? These questions are the basis for the current study. Therefore, 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.

Statement of the Problem

In the current sport pricing landscape, traditional fixed-price strategies are typically used. In this situation sport organizations set a price for a good or service. Here, the consumer is asked to pay a price, with little or no say in how that price was set. The only time that this price will change is if the sport organization changes it by implementing variable ticket pricing, dynamic pricing, or price discounts.

Currently used in several industries, participatory pricing gives the consumer a say in the final price they pay. Two of the primary methods of participatory pricing include Name-Your-Own-Price (NYOP) and Pay-What-You-Want (PWYW) pricing

strategies. The first method, NYOP, has primarily been used in the tourism industry. In this pricing mechanism, a third party retailer is commonly used. For example, airlines, hotels, and rental car agencies often give Priceline.com (third party retailer in the tourism industry) the right to sell low demanded inventory at a discounted rate. Priceline then gives consumers the opportunity to bid on an opaque good or service (Anderson & Wilson, 2011). Opaqueness means the consumer does not know who the company offering the good or service is, or any specific details about the good or service. The consumer only knows that they will be traveling or staying on a certain date with a certain level of quality.

The advantage for the NYOP manufacturer (i.e. sport and entertainment event promoter, airline, hotel, or rental car agency) is they are selling goods and services that without the NYOP retailer may not have sold at all. The manufacturer also has a certain price they require from the retailer for each item sold (Hinz & Spann, 2008). The advantage to the consumer is a lower price for a good or service, with the inconvenience of not knowing the full details about the good or service they purchase.

The NYOP mechanism has been seen in the sport industry. For example, event ticket retailer, ScoreBig.com, sells tickets (both sport and entertainment) through a NYOP mechanism. Individual teams have also attempted to use this pricing mechanism to sell individual and season tickets to fans (i.e. NHL's Florida Panthers & St. Louis Blues). However, team use of the NYOP mechanism has been limited.

A second type of participatory pricing strategy used across industries is PWYW. This mechanism has primarily been used in the music and restaurant industries. In this

scenario, consumers are asked to offer a dollar amount for the good or service, and regardless of the perceived value, the firm accepts the price (Kim, Natter, & Spann, 2009). The PWYW mechanism takes the entire price setting control away from the firm. This is likely the reason PWYW has rarely been used. However, several researchers have found that implementing PWYW pricing into a firm's offerings increases consumer perceptions, as well as profit (Kim et al., 2009; Kim, Natter, & Spann, 2010). The PWYW pricing mechanism has only been implemented by one sport organization (as far as the current research is aware): Mansfield Town Football Club in the United Kingdom. Here, the PWYW pricing mechanism was used to boost attendance for one game, but attendance consequently increased for the rest of the season (Daily Mail, 2010; F.C. Business, 2010).

These two participatory pricing mechanisms have shown success in various industries, and are currently being used in the sport industry. In addition, sport marketers constantly seek to elicit positive consumer perceptions and behaviors through their pricing strategies. Therefore, an investigation is needed to assess whether participatory pricing strategies are feasible for sport event ticketing, and whether these strategies evoke positive consumer price perceptions. In addition, Petrick (2004) suggests that "future research should determine which attributes have the most effect on quality, perceived value, and inevitably repurchase behavior" (p. 37). The current study sought to investigate these variables as it relates to participatory pricing mechanisms currently being used in the sport ticket industry.

Based on this need, 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. Specifically, this study sought to determine the effect innovative participatory pricing strategies (e.g. NYOP & PWYW) have on consumer perceptions of price fairness, perceived value, willingness-to-pay, and purchase intentions.

Theoretical Background

The pricing literature in today's sport marketing academy has focused primarily on price determination (Rascher et al., 2007; Reese & Mittelstadt, 2001; Rishe & Mondello, 2003) and the secondary ticket market (Drayer & Shapiro, 2009; Drayer, Stotlar, & Irwin, 2008). However, this literature is not void of issues of price perceptions (e.g. Drayer & Shapiro, 2011), including price fairness (Drayer et al., 2008; Greenwell, 2007; Greenwell et al., 2008). Some of the prominent price perception and purchase constructs developed in the business and tourism industries include price fairness, perceived value, willingness-to-pay, and purchase intentions.

Extant literature in the business and tourism industries have focused on price perceptions, specifically price fairness (e.g. equity theory, procedural justice, distributive justice, dual entitlement theory, assimilation-contrast theory, & transaction utility theory). Studies focusing on procedural justice have shown that by giving consumers a say in the price of a good or service, firms are likely increasing the consumer's perceptions of price fairness (Greenwell et al., 2008; Haws & Bearden, 2006; Park, Ellis, Kim, & Prideaux, 2010). Furthermore, if firms are able to involve the consumer in the price setting process, they will be able to increase consumers' willingness-to-pay,

perceived value, and loyalty (Park et al., 2010). However, there is a paucity of literature pertaining to these different types of pricing mechanisms. Therefore, there is a gap in sport pricing literature that deals with consumer perceptions of pricing control. Thus, this study uses theories developed from the price fairness literature (specifically procedural justice) to better understand the role consumer involvement in price setting has in evaluating purchase experiences.

Kim et al. (2009) suggested that the ratio of inputs to outputs (distributive justice) is also dependent on the relationship the buyer has with the seller. Greenwell et al. (2008) echoed this idea when they suggested that sport is unique in studying price fairness due to the emotional connections fans have with the team and players. In other words, fan's perceptions of equitability (ratio of inputs to outputs) can depend on the consumer's connection to the team. By applying social identity theory, one could argue that fans want to be associated with a team's identity, and therefore will do anything they can to support that identity, including changing perceptions of equity in an exchange (distributive justice). Furthermore, Oliver (1980) found that previous interactions with a good or service influences the perceptions of consumers after their purchase. Likewise, according to the theory of social relationships, if consumers have a relationship with the firm, they will likely behave in a way that leads to approval by the firm and peers associated with it (i.e. fans; Kim et al., 2009). All of these theoretical assumptions could suggest there is a relationship between consumer perceptions and price fairness.

Rationale for the Study

The sport industry is a viable place to implement participatory pricing for three reasons. First, NYOP and PWYW have been successful in the tourism and music industries. In both of these industries firms have a low marginal cost. Therefore, because sport events also have a low marginal cost (Alexander, 2001; Leeds & Von Allmen, 2011), the sport ticket industry may qualify as a candidate for these mechanisms. For example, if the consumer pays nothing (a possibility in PWYW pricing) or less than the fixed-price method (NYOP) for the ticket, there are relatively small costs to the sport organization. In other words, the cost of admitting one extra person is relatively low for sport organizations, until the venue is at full capacity (Alexander, 2001; Leeds & Von Allmen, 2011).

Second, because NYOP and PWYW mechanisms may require the consumer to pay less per ticket, the consumer may have a surplus, compared to purchasing the ticket through traditional pricing mechanisms. Likewise, a lower price per ticket may lower the overall cost of attendance, causing the consumers to purchase more auxiliary goods and services (i.e. concessions and merchandise; Leeds & Von Allmen, 2011; Rascher et al., 2007; Winfree & Rosentraub, 2012). Therefore, the deficit between the face value (retail price) of the ticket and the price actually paid, may increase revenues in other areas of the sport venue. This can be measured by examining spending amounts of those who participate in setting their price, and those that use traditional fixed price mechanisms.

Third, by implementing NYOP and PWYW pricing, sport organizations give consumers the ability to set their own price. There are numerous examples of positive

price fairness associated with giving consumers price setting power (Greenwell et al., 2008; Haws & Bearden, 2006; Park et al., 2010). Therefore, applying participatory pricing to a sport event context may be beneficial to the sport organization by increasing revenue, as well as positive consumer price perceptions.

The following managerial questions influence the literature review, hypothesis formation, and statistical methodology: How do participatory pricing strategies change consumer's perceptions and behavior in a sport event ticket purchase scenario? In other words, do fans have greater perceptions of price fairness when exposed to participatory pricing? Does participatory pricing influence value perceptions? Finally, how does participatory influence consumer behavior (e.g. willingness-to-pay and purchase intentions)?

Based on the aforementioned questions, this study sought to investigate these four constructs: a) price fairness, b) perceived value, c) willingness-to-pay, and d) purchase intentions. This study used multivariate analysis of variance (MANOVA) to analyze these four constructs.

Overview of the Dissertation

This dissertation has been divided into six chapters. The current chapter has discussed the purpose of this study, theoretical background, and rationale for the study. Chapter II will review the current landscape of literature on sport pricing, participatory pricing strategies, price fairness, perceived value, willingness-to-pay, and purchase intentions. In addition to the literature overview, Chapter II presents five hypotheses are developed from the literature. Chapter III explains the proposed methodology to be used to test the hypotheses. Specifically, a rationale for the use of MANOVA, analysis of variance (ANOVA), and experimental design is presented. Chapter IV is a presentation of the findings. In addition, sample demographics are presented. Following the results, Chapter V presents a discussion of the findings. This chapter includes possible implications, limitations, and potential future research endeavors. Finally, Chapter VI provides a conclusion to the dissertation.

CHAPTER II

LITERATURE REVIEW

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. This chapter consists of a review of the literature pertaining to participatory pricing mechanisms and consumer perceptions and behavior. Throughout this chapter, five hypotheses are presented, all which have been informed by extant literature. The first section examines the theoretical foundations of price fairness, and explains its application to the current study. The second section reviews the theoretical foundations of participatory pricing strategies, as well as their current use. This section is the most in depth due to its importance to the current study. The third section examines the conceptualization of consumer value perceptions. The fourth section explains the various theoretical foundations to evaluating consumer's willingness-to-pay for a good or service. The sixth section explores the various elements of purchase intentions. Finally, the last section provides a summary of the chapter.

Price Fairness

Of all of the theories that fall within the realm of consumer price perceptions, price fairness seems to be one of the most commonly used. Price fairness is concerned with the emotions and associations consumers have when comparing the price paid to other seller's prices (Xia, Monroe, & Cox, 2004). Petrick (2005) also suggests that price fairness can be derived from the consumer comparing the price paid to the internal reference price of that consumer. Price fairness comes from at least four separate

theories: equity theory, distributive justice, procedural justice, and dual entitlement theory (Xia et al., 2004). After providing a definition of price fairness, these underpinning theories are discussed. A graphical representation of these parent theories is shown in Figure 2.1.

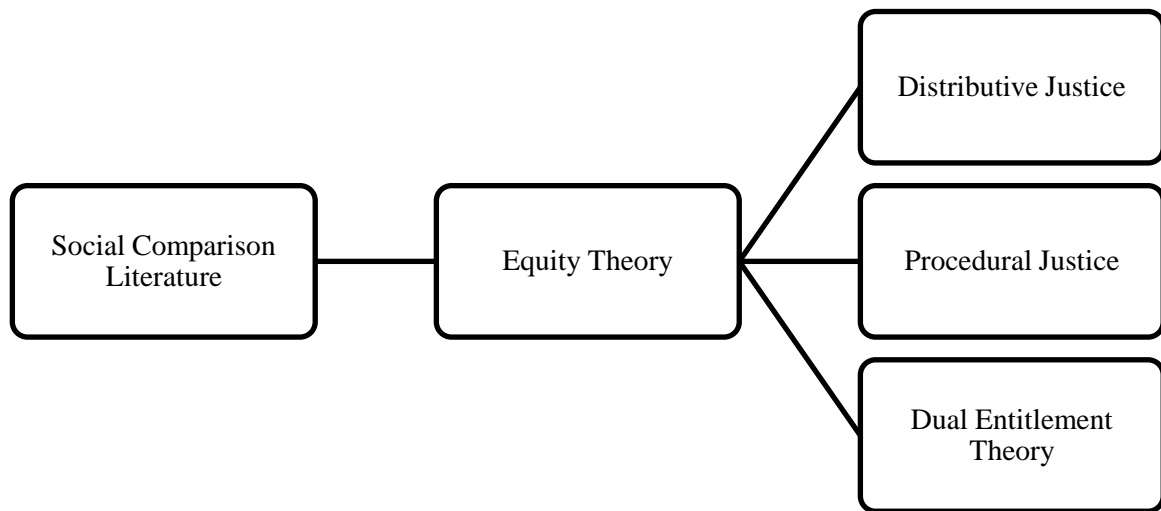


Figure 2.1: Price fairness parent theories

Price Fairness Defined

Because price fairness has many roots, Xia et al. (2004) felt there was a need to synthesize the price fairness literature so that researchers would be better able to understand and use it. In Xia et al.'s (2004) conceptualization of price fairness, they defined it as, “a consumer’s assessment and associated emotions of whether the difference (or lack of difference) between a seller’s price and the price of a comparative other party is reasonable, acceptable, or justifiable” (p. 3). In other words, negative

emotions will arise if consumers find the actual price paid to be different from others. Sometimes when consumers come out the “winner” in an exchange relationship (i.e. pay less than what they deem as being fair) they will view the good or service as having a higher quality (Oh, 2003).

Some have argued that studying price fairness in sport is somewhat more challenging than in other industries. Greenwell et al. (2008) suggested that this is due to the strong emotional connection sports fans have with teams and players. For example, what other type of good or service can evoke emotions strong enough to attach themselves to its success (BIRGing – basking in reflective glory) and to detach from its failures (CORFing – cutting off reflective failure; Wann & Branscombe, 1990)? In addition, Greenwell et al. (2008) also suggested price fairness studies in sport are unique because sport consumers have fewer options. With fewer options comes more attention to individual organizations within that industry. So as prices change, consumers are more aware and become more sensitive to fairness issues. In summary, regardless of the study or approach used, it is argued that sport marketing researchers need to be aware of the uniqueness of price fairness in the sport industry.

Equity Theory & Other Price Fairness Theories

The discussion of the four founding theories of price fairness should begin with equity theory because the other three are built upon this parent theory (see Figure 1.1). Equity theory comes from the overarching social comparison theory (Park et al., 2010), and is concerned with the ratio of inputs to outputs, compared to similar peers (Xia et al., 2004). Equity theory suggests that resources should be dispersed to all exchange parties

equitably, not necessarily equally (Kim et al., 2009). In other words, if one consumer puts forth a certain effort (i.e. price) more than another consumer, they should receive a greater benefit (utility) from that exchange. Put another way, a consumer's inputs (i.e. prices paid) should be equitable with their outputs (i.e. good or service) received.

Distributive justice comes from equity theory (Oh, 2003; Park et al., 2010). This is very similar to equity theory in that it is based on a comparison of an outcome to other's outcomes (Xia et al., 2004). However, distributive justice does not take into account exchange parties' relationships. According to Kim et al. (2009) the relationship between the seller and buyer will influence both parties' perceptions of equity. Distributive justice posits that consumers make decisions about their ratio of input to outputs by examining what other consumers in the same class of product purchases obtain.

Dual entitlement theory is based on the concept that both sides of an exchange relationship should be entitled to equitable outcomes. Dual entitlement theory is based on the alignment of a firm's costs to consumer prices (Bolton & Alba, 2006). In other words, in a purchase exchange, Bolton and Alba (2006) suggest that price increases should match cost increases. Haws and Bearden (2006) propose that dual entitlement theory argues firms are entitled to a reasonable (fair) profit, while consumers are entitled to a reasonable (fair) price. In other words, if a firm increases their prices without showing their costs have increased, the consumer will likely find the price to be unfair, and in turn "punish" the firm by not purchasing the good or service or spreading ill word-of-mouth (Mazumdar, Raj, & Sinha, 2005).

Just as Greenwell et al. (2008) suggested that the sport industry is unique in price fairness assessments due to consumer connections with the team and players, they also suggested that fans in the sport industry have fewer options. Due to being more likely to have fewer options, sport consumers are able to see price changes better than in other industries. Another example of this in the sport industry is when owners of teams claim that price increases are due to increased player salaries. The problem arises when researchers, such as Rishe and Mondello (2003), find that ticket prices are not significantly affected by player salaries. This has been termed “blowing smoke” in the faces of fans (Rishe & Mondello, 2003). In summary, if the price does not align with the cost incurred by the firm, unfairness perceptions will likely occur (Bolton & Alba, 2006).

Procedural Justice

The parent theory for procedural justice is also equity theory and is the focal theory in this study. However, procedural justice is quite different than distributive justice and equity theory. Procedural justice is concerned with the amount of involvement all stakeholders (i.e. consumers) have in the decision making process (Park et al., 2010; Xia et al., 2004). Park et al. (2010) suggested that by including consumers in the price setting process, firms give them a voice. In pricing, this is concerned with whether or not consumers feel they had some control over the way prices were set. Researchers in sport (Greenwell et al., 2008), tourism (Park et al., 2010), and business (Haws & Bearden, 2006; Kim et al., 2010) have found that when firms involve the consumer in the price setting process in some way, the consumer tends to deem the price

to be more fair, and in turn, they have increased purchase intentions. Based on the aforementioned findings, it is believed that price fairness evaluations will be significantly different when participatory pricing strategies are implemented, giving consumers a say in the final price they pay.

Hypothesis 1: Price fairness evaluations will be significantly different between experimental groups.

Price Fairness & Participatory Pricing

Kim et al. (2009) suggested that NYOP and PWYW pricing strategies are innovative because they are different from the traditional fixed-price mechanisms. In NYOP and PWYW, consumers get a say in their price (procedural justice). In other words, consumers will pay what they want in relation to what they deem fair (Muzumdar et al., 2005). If firms are offering a good or service that provides the consumer utility (transaction utility theory), then the consumer will likely pay what they would in a fixed-price scenario, if not slightly more (see Kim et al., 2009). For example, Kim et al. (2009) found that firms using PWYW received 104% of their normal price. Therefore, if the firm is able to offer a good or service that the consumer deems as being of high utility, they are likely to induce higher prices, and may be able to be successful at PWYW pricing.

Kim et al. (2010) applied price fairness to their study of participatory pricing strategies. Kim et al. (2010) found that when the consumer was allowed to participate in price setting, they had higher levels of fairness. Therefore, based on the theoretical assumptions of procedural justice and the findings of multiple researchers attempting to

understand price fairness using consumer control (Greenwell et al., 2008; Kim et al., 2010), one could argue that participatory pricing mechanism preference will directly influence price fairness evaluations.

Even though much of the sport pricing literature deals with price determination, Greenwell et al. (2008) examined price fairness when they discussed overall consumer satisfaction. Greenwell et al. (2008) suggested that sport marketing literature should focus more on the value consumers place on ticket policies. Therefore, the current study seeks to answer this call by investigating the relationship between price fairness perceptions, as they relate to participatory pricing ticket policies, and consumer's perceived value.

According to Kim et al. (2009), consumers are only willing to pay what they deem as being fair. Therefore, price fairness levels are higher for consumers who value the purchase. Furthermore, Xu, Goegebuure, and Heijden (2006) found that consumer perceptions of benefits had a positive impact on quality. Based on the current study's conceptualization of perceived value (which includes quality), one can argue that Xu et al.'s (2006) proposition might identify a relationship between price fairness and perceived value. Finally, Bojanic (1996) found that consumer perceptions of price has a positive relationship with perceived quality, and therefore, with perceived value. An overview of the price fairness literature examined in this chapter is displayed in Table 2.1.

Table 2.1:
Overview of price fairness literature

Authors	Central Thesis	Key Findings/Summary
Bolton & Alba (2006)	Price fairness associated with firm cost and price	<ul style="list-style-type: none"> - Consumers deem a price to be fair if it is in line with the costs the firm (vendor) incurs.
Greenwell, Brownlee, Jordan, & Popp (2008)	Importance of customer voice and choice on satisfaction	<ul style="list-style-type: none"> - Sport organizations should give stakeholders some control over setting the price in order to increase fairness and satisfaction.
Haws & Bearden (2006)	Dynamic pricing and price fairness	<ul style="list-style-type: none"> - Auctions reduced the likelihood of price unfairness. - When consumers participate in price discovery they have higher levels of perceived fairness and satisfaction.
Kim, Natter, & Spann (2010)	PWYW Success	<ul style="list-style-type: none"> - Participative pricing can lead to perceptions of control. This leads to perceptions of price fairness.
Oh (2003)	Price fairness' effect on overall price, quality, and value	<ul style="list-style-type: none"> - Consumer's evaluations of value and quality are influenced by their perceived gain or loss (i.e. price fairness).
Park, Ellis, Kim, & Prideaux (2010)	The effect of consumer input in price setting on price fairness	<ul style="list-style-type: none"> - Public input into price setting of fees was an essential predictor of social equity (i.e. price fairness). - In order to increase price fairness, consumer repeat use should reap price reductions for the repeat users.
Xia, Monroe, & Cox (2004)	Conceptual framework of price fairness	<ul style="list-style-type: none"> - Theoretical foundations of price fairness. - Unfairness is related to negative emotions. - Price differentiation without product customization leads to unfairness perceptions.

Participatory Pricing Strategies

The extant literature discussing the use of innovative pricing strategies, specifically those that give consumers a say in the price of goods and services, involve two main threads of research: name-your-own-price (NYOP) and pay-what-you-want (PWYW). These research avenues have been examined extensively in the context of their purpose and form (Amaldoss & Jain, 2008; Anderson & Wilson, 2011; Chandran & Morwitz, 2005; Chernev, 2003; Fay, 2009; Hinz & Spann, 2010; Hinz, Hann, & Spann, 2011; Kanna & Kopalle, 2001; Kim et al., 2009; Kim et al., 2010; Mills & Law, 2001; Raju & Zhang, 2010; Shapiro & Zillante, 2009; Wang, Gal-Or, & Chatterjee, 2009), consumer bidding behavior (Bernhardt & Spann, 2010; Fay & Laran, 2009; Fay, 2004; Hinz & Spann, 2008; Spann & Tellis, 2006; Terwiesch, Savin, & Hann, 2005; Wolk & Spann, 2008), and optimal participatory pricing design (Anderson, 2009; Cai, Chao, & Li, 2009; Spann, Zeithammer, & Haubl, 2010; Wilson & Zhang, 2008). The following section will be structured based on these research avenues.

Purpose

What Are Participatory Pricing Strategies?

Sport teams realize not all of their tickets will be in high demand (e.g. day games, weekday games, opponents, etc.; Rascher et al., 2007). To combat this problem, many sport organizations take steps to increase consumption (attendance). One way this is done is through price discounts. While price discounts have been shown to be successful by inducing purchase behavior, some firms are moving to a more innovative strategy; participatory pricing (Kim et al., 2009). While there have been many

investigations into participatory pricing, an investigation into the avenues for participatory pricing in sport event ticketing is needed.

A type of pricing strategy being used in the tourism industry is yield management. Perdue (2002) defined yield management as “the application of information systems and pricing strategies to sell the right capacity to the right customer at the right time” (p. 16). According to Malighetti, Paleari, and Renato (2010), yield management is also called revenue management or dynamic pricing.

According to Perdue (2002), the process of implementing yield management is relatively simple. The process begins with the proper identification of a target market and then an appropriate price structure to fit that target segment (Perdue, 2002). Petrick (2005) discusses this price structure in his examination of price sensitive consumers in the cruise industry. Petrick (2005) suggested that airlines are the most innovative in implementing this strategy. Furthermore, he posits that yield management is effective because it requires consumers to pay more when the demand is higher. Therefore, setting an appropriate price structure based on your target segment is essential in yield management. The second step involves the firm to determine what the best time frame is for implementation by forecasting demand. Finally, the firm then identifies the highest price for the good or service, and “available capacity is allocated to ‘price buckets,’ a target number of units to be sold at each price” (Perdue, 2002, p. 16).

Several innovative pricing strategies are being implemented into yield management systems in the tourism industry; participatory pricing strategies. According to Kim et al. (2009), “innovative pricing models can be anything that is different from

the usual way of setting the price for a specific product” (p. 44). Therefore, NYOP and PWYW strategies can be considered innovative because of their unconventional format (Kim et al., 2009). Other participatory pricing methods could be both recognized and regulated methods, such as: negotiations, reverse pricing, and other auctions (Chandran & Morwitz, 2005).

Name-Your-Own-Price. A commonly used participatory pricing strategy for the service industry is that of name-your-own-price (NYOP). According to Chernev (2003), NYOP is considered a type of reverse pricing. Reverse pricing differs from other auctions in that consumers do not have a reference price for which they can begin their bidding, beyond the fixed-price of similar goods or services (i.e. the regular price of a hotel for that night). In other words, some suggest that consumers are overtly stating what they are willing to pay for the desired good or service in NYOP mechanisms (Chernev, 2003). Therefore, it can be concluded that NYOP strategies are an innovative, regulated, reverse pricing mechanism.

In reverse pricing, consumers participate in the setting of prices paid (Kim et al., 2009). When these mechanisms are used the consumer submits a bid on a good or service, and if that price is above a secret threshold price pre-determined by the seller, it is accepted and a purchase is made (Bernhardt & Spann, 2010; Fay, 2009). In addition to the seller not disclosing their secret threshold price, in NYOP the seller does not give the consumer an option to the specific service they are receiving. For example, if a consumer uses Priceline to bid on a trip from Los Angeles to New York, they are not

bidding on an individual flight, but rather a day and price. This information gives the NYOP purchase an element of opaqueness.

Amaldoss and Jain (2008) explain that the NYOP strategy for airline tickets give the consumer a chance to receive a lower discount, but that they are losing control over the type of service. They suggest that when Priceline sells an airline ticket, the consumer does not know “exact flight times, number of stops, or even the name of the airline” (Amaldoss & Jain, 2008, p. 1686). Due to the opaqueness of the traditional NYOP mechanism, consumers are often brand agnostic and less concerned with being loyal to a specific brand (Anderson & Wilson, 2011).

At the core of revenue management, pricing strategies seek to maximize seller profits by capturing consumer spending. In addition, firms must recognize their competition, and how the firm’s pricing strategies affect the other goods and services it makes (i.e. cannibalization; Kim et al., 2009). Therefore, NYOP mechanisms should take both of these issues into account. First, when firms use NYOP strategies they are able to attract price sensitive consumers, who they may not have reached through traditional fixed-price strategies (Anderson & Wilson, 2011). This is because price sensitive consumers often make purchase decisions based on the price of a good or service (Lichtenstein, Bloch, & Black, 1988; Petrick, 2005). Therefore, when price sensitive consumers are giving price setting ability, they are letting consumers find the best price available, increasing their intent to purchase. However, the potential negative effects of attracting price sensitive consumers has been investigated by several researchers. For example, Petrick (2005) suggested that loyal consumers may be less

price sensitive. This suggests that, because price promotions are aimed at infrequent patrons, these strategies are likely to attract price sensitive consumers. According to Han, Gupta, and Lehmann (2001), price sensitive consumers can be more effected by price promotions than other types of promotions. For example, Han et al. (2001) posit that when there are promotions implemented to engage in competition, losses are of bigger concern than gains. This greater loss is explained by the value function of prospect theory. In short, while price sensitive consumers are drawn to the NYOP pricing strategy, if the firm is not able to provide a gain for the consumer (the lowest acceptable bid), they will likely have issues gaining discretionary spending from that group in the future. In other words, if the bidder feel they could have gotten a cheaper price by bidding lower, they may deem it as a loss, and therefore causing the NYOP strategy to become detrimental to the consumer's evaluation of the firm.

Second, firms are protecting themselves from cannibalization by not publishing their secret threshold price. Unlike other auctions, NYOP retailers never publish threshold prices to other firms or buyers (Bernhardt & Spann, 2010). Therefore, consumers do not know the price the firm is willing to take for the good or service, giving the firm the ability to change the price of the good or service without the consumer knowing. This decreases the risk of cannibalizing the current firm offerings.

Participatory pricing methods (i.e. NYOP & PWYW) are innovative ways of increasing firm revenue by extracting buyer surplus, and increasing their willingness to pay (Spann & Tellis, 2006). This is done by fulfilling low demand goods and services (e.g. sport event tickets at games with historically low attendance), while also giving

consumers a say in the price they pay. Name-your-own-price firms will rarely set their secret threshold price below their marginal cost (the cost associated with allowing one more person into the event) because it would not be profitable. Unlike traditional fixed-price strategies where the consumer must pay a set price, NYOP firms gain previously uncaptured consumer spending, and receive a price above their marginal costs to produce that good or service. The NYOP strategy “marks the return of one-to-one negotiations between buyers and sellers” (Mills & Law, 2001, p. 98).

One of the pioneering firms to use NYOP mechanisms in any industry is Priceline. To date, Priceline is one of the only successful long-term users of NYOP, but this has only been seen in the travel industry (e.g. hotel, airfare, and rental cars) (Wang et al., 2009). When Priceline first began, they had several different product categories. In 2001, Priceline included several categories of NYOP goods and services: hotel rooms, airline tickets, telephone service, financing services, cars (rental and new), groceries, and gas (Kanna & Kopalle, 2001; Mills & Law, 2001). While Priceline was mainly in the information business (giving consumers the price separate from the product themselves; Kanna & Kopalle, 2001), their influence as a third party retailer on the tourism industry was incredible. In 2005, Priceline saw revenues of \$2 billion, and \$4 billion in 2007 (Amaldoss & Jain, 2008).

Currently, Priceline’s ability to be successful depends on their capacity to sell low demanded airline tickets, hotel rooms, and rental cars. Other products offered by Priceline were not successful due to the limited profits gained from their offering (Kanna & Kopalle, 2001; Mills & Law, 2001). Airlines, hotels, and rental car agencies send their

goods and services to Priceline only when they are unable to sell them at a higher price through other distribution channels (Amaldoss & Jain, 2008). Therefore, we can consider NYOP retailers to be third party administrators (e.g. Priceline) retailers, and the producers of the good or service to be the manufacturers (e.g. airlines, hotels, and rental car agencies). The traditional process that occurs when NYOP strategies are used begins with the manufacturer offering the retailer a perishable good to sell. Some researchers argue that Priceline goes beyond the role of an arranger, but rather serves as a market maker (Ding, Eliashberg, Huber, & Saini, 2005).

One event ticketing firm (ScoreBig.com) has become a NYOP pioneer in the sport and entertainment industry. ScoreBig's model is very similar to the NYOP retailers seen in today's tourism industry; teams and event promoters partner ScoreBig to sell unused event tickets (A. Burnham, personal communication, January 5, 2012). In their model, the manufacturers (i.e. sport and entertainment events) work with ScoreBig to sell tickets to consumers using a NYOP mechanism. According to ScoreBig (2011), their business model is unique to the sport and entertainment industry, and beneficial to both the consumer and the event promoter. For example, they suggest that through their pricing model, consumers are able to try new things without spending a lot. On the other hand, event promoters are able to sell unused inventory. Selling unused inventory is essential; especially since every year 40% of event tickets are not sold (ScoreBig, 2011). According to BusinessWire.com (2011):

ScoreBig has proven itself to be a category-defining company with a model that for the first time, works collaboratively with the industry to safely and

dynamically sell tickets below retail price, while also serving to increase the affordability of attending live events for fans.

Pay-What-You-Want. One pricing method that service oriented firms are beginning to implement is pay-what-you-want (PWYW) pricing. This method is considered a participatory pricing method because it gives the consumer complete control over the price they will pay (Kim et al., 2009). By giving the consumer this ability, the firm is able to learn more about the consumer (i.e. willingness to pay, fairness, etc.), as well as create an exchange where the consumer is almost guaranteed to be satisfied with the price they pay. According to Raju and Zhang (2010), PWYW pricing gives the firm the ability to expand “the market to the broadest possible size without giving too much of a break to those who are happy to pay a higher price” (p. 22). This means consumers are paying what they desire to pay, no more, no less.

Raju and Zhang (2010) argued that firms typically use PWYW pricing to drive business or because it could yield greater revenue than that of traditional methods, or both. This type of participatory pricing mechanism is seen primarily in two major industries, the restaurant and music industries. The reason these two industries are optimal for PWYW pricing is because: a) they are service industries with b) excess supply potential and c) have low marginal costs (Kim et al., 2010). Therefore, the sport industry is possibly an ideal place for PWYW pricing implementation, specifically sport events. Sport events are considered sport services (Shank, 2009), having excessive supply (especially when events have low attendance/demand), and have a low marginal

cost (Alexander, 2001, Leeds & Von Allmen, 2011). This will be explained briefly hereafter.

Alexander (2001) stated, “the marginal cost of admitting an additional fan is probably constant and relatively low for all teams, at least up to stadium capacity, and therefore is not likely to vary with changes in quantity” (p. 346). Furthermore, Leeds and Von Allmen (2011) suggest that the marginal cost for admitting an extra fan to a sporting event is near zero. “It costs the team relatively little to sell one more ticket and to admit and clean up after one more fan” (Leeds & Von Allmen, 2011, p. 33). The only time the marginal cost is well above zero is when the capacity of the facility is full (Leeds & Von Allmen, 2011). Therefore, according to Kim et al. (2010), firms should not use PWYW pricing if their goods and services have a high level of value or cost. In other words, sport events should only use participatory pricing mechanisms when they have a low marginal cost and have excess supply (i.e. tickets unsold).

Attracting new customers has been one of the primary objectives of any pricing promotion, regardless of type (Mullin, Hardy, & Sutton, 2007). This is no different in PWYW pricing. According to Kim et al. (2010), PWYW can give the firm the ability to engage with a consumer group concerned with trying new goods or services. By giving the customer the ability to set their own price, firms are giving the consumer the ability to leave the purchase situation relatively unhurt economically. At the same time, firms are also expressing to the consumer that their good or service is worth the consumers money. Kim et al. (2010) found this to be true in their examination of a restaurant’s implementation of PWYW pricing.

Increasing the consumer's perceptions of fairness is another reason firms may use PWYW pricing. In October of 2007, the rock band Radiohead decided to offer their new album, *In Rainbows*, as a PWYW pricing scenario. Fans logged on their band website and were asked to fill an empty box with how much they wanted to pay for the 10 song album. According to Raju and Zhang (2010), "when they click on the box, a message appeared that said 'It's up to you.' On the next page, another message appeared that said, 'No really, it's up to you'" (p. 19). The success of that promotion was dependent on if the band's fans were fair-minded (Raju & Zhang, 2010). Radiohead suggested that the majority of the fans were fair-minded (Raju & Zhang, 2010). Furthermore, in their study of a PWYW restaurant, Kim et al. (2010) found that when consumers feel they have a higher level of control over the price they pay, they will likely have higher levels of price fairness and intentions to purchase. Kim et al. (2009) also found fairness to be a primary influencer on the final price consumers paid, along with satisfaction, household income, and consumer price consciousness.

Where Is Participatory Pricing Seen in Sport?

Sport organizations are constantly trying to find ways of attracting consumers, while maintaining customer satisfaction and value. Because it has been suggested that one of the only element of the marketing mix that affects revenue is price (Rao, 2009), many sport organizations are examining their pricing tactics to achieve these objectives. After an exploration of the landscape of sport pricing research, to my knowledge there is no literature addressing any type of participatory pricing mechanisms (i.e. NYOP & PWYW). However, this does not mean the industry is void of these tactics.

According to Winfree and Rosentraub (2012), NYOP and PWYW mechanisms are rarely seen in the sport industry. However, NYOP promotions have been used in various sport event platforms. According to Wyshynski (2009), one of the first known participatory pricing mechanisms used in the sport industry in the United States occurred in 2009. The National Hockey League's (NHL) St. Louis Blues offered a name your own price night to their fans. They offered this promotion in only a few seating areas, but included any type of ticket package (including individual game tickets). A similar NYOP mechanism was used by another NHL team; the Florida Panthers. In this scenario, fans were asked to submit a bid for selected seating areas.

Many sport organizations that are using discounted pricing mechanisms are not just thinking about the revenue from the ticket itself, but also the revenue from other activities at a sporting event (Leeds & Von Allmen, 2011; Rascher et al, 2007). Rovell (2010) suggested that participatory pricing "gets teams thinking about what the minimum price they'd be willing to accept to all the other ancillary revenue – parking, concessions, and merchandise – that they are normally leaving on the table" (p. 1). Michael Yorkman, president of the Florida Panthers during the NYOP promotion, suggested that sport is a great place to implement NYOP. He claimed that because the sport team's good or service is not the same every year, using NYOP does not devalue the ticket.

While there have been a couple of instances of NHL teams using NYOP mechanism to increase revenue, to the best of my knowledge there has only been one instance where a sport team has given complete control of the pricing to the consumer

(i.e. PWYW). The Mansfield Town Football Club (U.K.) was the first professional sport team to offer a PWYW ticketing plan for an individual game (Daily Mail, 2010).

Mansfield Town was trying to fill their 7,000+ capacity stadium. Andrew Perry, chairman of the football club during the promotion, framed the event as an attendance booster. Perry told the fans, “Let’s pack the ground for this match and roar the team on to victory” (Daily Mail, 2010, p. 2). This would suggest Mansfield Town was not only trying to increase attendance, but also increase customer loyalty and satisfaction.

Winfree and Rosentraub (2012) suggested that this event may have also increased goodwill toward the club. The promotion seemed to work. Their normal attendance was around 3,000 fans per game. The night of the PWYW mechanism brought in a reported crowd of 7,261; double the average attendance rates and the highest it had been in eight years (F.C. Business, 2010). Even though the actual gate sales were kept private, it was suggested by Perry that the gate revenue was equal if not greater than the average game (F.C. Business, 2010). Beyond the monetary benefits of the event, Perry suggested that fans were contacting the club to express feelings of gratitude and satisfaction (F.C. Business, 2010).

What Are Some Benefits of Participatory Pricing Strategies?

Name-Your-Own-Price. Many scholars have argued that participatory pricing strategies can be beneficial to the firm that implements them. To begin this discussion, it is important to start with the benefits of NYOP strategies. The first benefit of NYOP mechanisms is the firm’s ability to influence consumer perceptions and behaviors. According to Chandran and Morwitz (2005), consumers that participate in the price

setting process feel they have more control over the final price they pay, which in turn leads to higher intent to purchase the good or service. They argued that this increased intent to purchase may be due to the nature of participatory pricing. Kim et al. (2010), found that in addition to perceived control influencing intent to purchase, consumers perceive the final price with higher levels of fairness when participatory pricing is used. Finally, consumers that use participatory pricing have higher levels of satisfaction with the purchase process (Hinz et al., 2011).

A second benefit to a firm using NYOP strategies is the firm's ability to collect information about the consumer. This information can include: demand, consumer behavior, and willingness-to-pay (Cai et al., 2009; Hinz et al., 2011; Spann, Skiera, & Schaefers, 2004). Through collecting consumer information, firms are able to determine the demand for certain goods or services at any given time period (Cai et al., 2009). For example, firms are able to tell if price sensitive consumers require discounts on certain product attributes (i.e. day of the week, time of day, etc.). In addition to demand, firms can use information about bidding behavior to better understand consumer behavior (Hinz et al., 2011). This can include consumer perceptions of promotional pricing, online purchasing experiences, and couponing techniques (Hinz et al., 2011). Through collecting data about consumers, firms are also able to determine true willingness-to-pay (Hinz et al., 2011).

Finally, another benefit of NYOP strategies includes the firm's ability to fulfill the disposal of excess supply, and to make changes in supply as a reflection of demand; a result of the bidding behavior of consumers (Chernev, 2003; Spann et al., 2010; Wang

et al., 2009). In other words, firms that use NYOP strategies can sell low demanded goods and services at a discount, disposing of supply that is simultaneously produced and consumed (i.e. sport event tickets). Therefore, NYOP firms can still receive unrealized revenue by giving the consumer the ability to price a good or service, but still having the ability to reject prices below their marginal costs (Wang et al., 2009). In addition, firms can then make future decisions about supply based on the previous demand for similar goods and services at comparable times of consumption. According to Chernev (2003), “this flexibility is one of the reasons why the ‘name your price’ strategy would be considered superior to the (traditional) selection strategy” (p. 52).

Pay-What-You-Want. There are many different benefits of PWYW pricing promotions. First, even though many firms are averse to adopting PWYW pricing because of perceived risks (i.e. consumers paying nothing for the good or service), many firms that have adopted PWYW pricing have been profitable in the short and long run (Kim et al., 2009; Kim et al., 2010; Raju & Zhang, 2010). For example, Kim et al. (2009) conducted three separate studies of PWYW pricing implementation. Their sample consisted of a restaurant, multiplex theater, and a delicatessen. They found that in all three scenarios consumers “provided with a reference price paid 104% of the regular prices to the seller” (Kim et al., 2009, p. 53). These findings suggest that when consumers are given a retail value, they are likely to pay a reasonable price, sometimes even higher than the normal price.

Another concern is that firms offering a PWYW pricing scenario will have a lot of consumers paying nothing to the firm. Kim et al. (2009) found that consumers in each

of the three studies paid significantly greater than zero, including “only a few customers paying very low prices and that none decided to pay zero in the three studies” (p. 51). However, Raju and Zhang (2010) suggested that 60% of the people who downloaded Radiohead’s album did not pay anything. While the average price per album was only \$2.26, the band claims they made more on the PWYW promotion than if they sold it at the normal fixed-price (Raju & Zhang, 2010). It is important to keep in mind that the Radiohead scenario was an online transaction in which the consumer did not have to tell a person face-to-face their price. Therefore, while it is a potential risk for the firm, consumers rarely pay nothing or very little for the good or service they receive in a PWYW scenario that is face-to-face (Kim et al, 2010).

A second potential benefit from using PWYW pricing is to increase the number of customers purchasing the firm’s good or service. For example, in Kim et al.’s (2010) study of PWYW pricing in restaurants found that “approximately 70% of new customers stated they would most likely visit the restaurant again” (Kim et al., 2010). In addition, they found that the average price increased over time, as well as the number of customers. They suggested the sales increase “was mainly driven by new customers: compared to a daily average of approximately 11 new customers at fixed-prices, the number of new customers rose to approximately 17 per day” (Kim et al., 2010, p. 4).

Therefore, if the firm is looking to increase brand awareness, PWYW pricing could be a viable option.

A third potential benefit for PWYW pricing implementation would be to increase buyer consumption. In the sport context, Mansfield Town Football Club used PWYW pricing in attempt to increase their attendance (Daily Mail, 2010). The average attendance at Mill Field, home of Mansfield Town, was beginning to drop below 3,000 fans per game, approximately 41% of the capacity. On the day of the PWYW pricing implementation, Mansfield Town reported 7,261 fans attended the match (F.C. Business, 2010). Unfortunately, no follow up information was provided by the club regarding the effect the PWYW strategy had on long-term attendance (F.C. Business, 2010). However, the club did receive a lot of positive feedback from the fans participating in the promotion. Furthermore, Kim et al. (2010) examined the effect PWYW pricing has on long-term consumption. They found that consumers paid more over time when a PWYW pricing strategy was used, and patronage increased over time. Therefore, increasing consumption over time may be a benefit of PWYW pricing. An overview of the participatory pricing literature pertaining to its purpose is displayed in Table 2.2.

Table 2.2:*Overview of participatory pricing literature - purpose*

Authors	Central Thesis	Key Findings/Summary
Anderson & Wilson (2011)	Modeling NYOP mechanisms	<ul style="list-style-type: none"> - Opaqueness in NYOP mechanisms gives consumers no knowledge of the brand or other product information.
Hinz, Hann, & Spann (2011)	Dynamic pricing in NYOP markets	<ul style="list-style-type: none"> - NYOP leads to higher levels of satisfaction. - NYOP can help firms understand consumers better.
Kim, Natter, & Spann (2009)	Buyers' pricing behavior in PWYW	<ul style="list-style-type: none"> - PWYW consumers paid 104% of fixed-prices. - All PWYW consumers paid more than \$0. - PWYW consumers paid what they deemed fair.
Kim, Natter, & Spann (2010)	PWYW Success	<ul style="list-style-type: none"> - PWYW is effective in service industries with excess inventory and low marginal costs. - Sales increased by 61% with PWYW. - Prices paid were significantly lower than regular prices. - New customers increase was substantial after PWYW. - 87% of consumers preferred PWYW over fixed-price. - Direct contact (i.e. offering the PWYW price to a person face-to-face) increased success of PWYW.
Mills & Law (2001)	Overview of Priceline's NYOP	<ul style="list-style-type: none"> - Website is accessible and user friendly. - Flexibility is the primary disadvantage of NYOP.

Much of the literature investigating NYOP and PWYW pricing reveals that these mechanisms lead to positive consumer perceptions and behavior by giving consumers more control (Chandran & Morwitz; 2005), increasing repeat purchases (Kim et al., 2009; Kim et al., 2010), and increasing their willingness-to-pay (Kim et al., 2009; Kim et al., 2010; Spann & Tellis, 2006) . Based on these finding, it is proposed that the final

prices paid by consumers encountering the NYOP and PWYW treatment will differ from the control group.

Hypothesis 5: Final price paid will be significantly different between experimental groups.

Form

The Name-Your-Own-Price Process

As a result of the internet's influence on purchase decisions The traditional method of pricing goods or services has changed over the past two decades. Now consumers can go online to find out more information about a good or service, including price. For example, a price sensitive consumer can now go online and look at the price on various websites offering the desired good or service. Many industries (e.g. hotel, airline, rental car, and software retailers) have started to use participatory pricing strategies, such as NYOP. However, these online retailers (i.e. Priceline.com and ScoreBig.com) are not only offering a participatory pricing option to consumers. For those consumers that wish to have more freedom in their purchases (i.e. flight time, connections, choice of brand), the online retailer offers posted prices for the various sellers of the good or service (Anderson, 2009). For those consumers looking for the best deal (i.e. price sensitive consumers), the online retailer offers them the opportunity to bid for goods or services, without knowing details about the good or service they receive (Anderson, 2009). Many researchers have referred to this second method as reverse pricing (Cai et al., 2009; Chernev, 2003; Spann et al., 2010; Terwiesch et al., 2005).

The reason this participatory pricing mechanism (i.e. NYOP) is termed reverse pricing is because the process of purchase is reversed from the traditional method (Spann et al., 2010). In a traditional fixed-price scenario, the seller determines the price of a good or service using one, or a combination, of several techniques (i.e. break-even analysis, cost-plus a profit, markups, capitation pricing, promotions, bundling, target return, variable [ticket] pricing, etc.). Regardless of the technique, the seller first determines the price of the good or service and then offers the customer the good or service at the predetermined price. At that point the consumer has only two options; purchase or not purchase. In a reversed pricing scenario the consumer has the choice from the beginning. In this situation, the consumer offers a price (a bid) to the seller's retailer. Once the bid is evaluated by the seller (with the seller's marginal costs in mind), the bid is either accepted or rejected (Spann et al., 2010).

The retailer that is most well-known for their use of NYOP is Priceline. Priceline is essentially a business-to-consumer (B2C) retailer or broker. EBay has also joined the reverse pricing design. EBay offers what they term "Best Offer," which gives customers the chance to submit an offer that, if accepted, binds them to that price (Hinz et al., 2011). If the individual seller decides to reject the offer, the buyer can then bid again. This is an example of eBay being a consumer-to-consumer (C2C) retailer. Germanwings.com (a low cost airfare provider in Europe) and Ashampoo.com (software) are two examples of other companies that use NYOP strategies in a B2C market (Bernhardt & Spann, 2010; Hinz et al., 2011; Hinz & Spann, 2010). These two examples are unique NYOP sellers, in that; they are selling the goods and services they

manufacture. Unlike Priceline (a B2C retailer), who sells the services of other manufacturers (i.e. hotels, airlines, and rental cars), these companies do not deal with a retailer, and therefore, receive information about their customers and their preferences. Therefore, the design to this study is similar to that of Germanwings.com and Ashampoo.com; and creates an experiment in which sport organizations use reverse pricing (i.e. NYOP) to sell their own event tickets, without the use of a retailer.

The next few sections explain the bidding process of a reverse pricing scenario. As a preview, in a NYOP market, the customer is interested in purchasing a service (i.e. hotel room) and places an initial offer to the retailer (i.e. Priceline; Hinz et al., 2011). The customer is bidding for a service, not a service provider (Anderson, 2009). The retailer then takes the bid, and through various rounds, compares the bid price with a secret threshold (reserve) price set by various sellers of the service (i.e. hotels with the appropriate quality star rating and location; Hinz, et al., 2009; Hinz & Spann, 2008). If the bid is above the secret threshold price, the offer is accepted, and the customer's credit card is charged for the bid amount, plus applicable taxes (Hinz, et al., 2009; Hinz & Spann, 2008). If the bid is below the secret threshold price, the customer is informed of the rejected bid and the buyer can update their offer (Hinz, et al., 2011). However, in order for the customer to be able to bid immediately after the initial bid was rejected, they must change certain characteristics of the bid (i.e. change the quality star of the hotel, dates of the trip, etc.; Hinz, et al., 2009; Hinz & Spann, 2008). In summary, the NYOP retailer facilitates the customer's bids and accepts or rejects the bid according to

the secret threshold price of the seller (Hinz, et al., 2009; Hinz & Spann, 2008; Wang et al., 2009).

The Bidding Process: The Bid. The bidding process begins with the customer having a need or want to purchase a good or service. When the customer begins to select a bid for the good or service, their objective is to choose a sequence of bids to maximize their utility (Fay & Laran, 2009). This can be best explained by applying prospect theory.

Derived from expected utility theory, prospect theory was developed by Kahneman and Tversky (1979). Kahneman and Tversky felt that expected utility theory was not sufficient in describing consumer judgments, citing the theory had issues with reliability and validity. Their primary revision to expected utility was their addition of a mediator: risk (Kahneman & Tversky, 1979). In short, prospect theory suggests that individuals make decisions based on “subjective evaluations which the world of specific presuppositions would regard as irrational” (Tarnanidis et al., 2010, p. 271).

Prospect theory uses a value function to describe how individuals make decisions. When an individual is faced with a decision, they compare options based on perceptions of losses and gains from the outcome of the choices at hand. For example, if the individual perceives the outcome of hypothetical choice A as a gain, and the outcome of hypothetical choice B as a loss, they will chose option A because the outcome has a higher value to the individual (Kahneman & Tversky, 1979). In other words, consumers attempt to make choices that maximize their value (utility). This is no different in the bid setting of a NYOP scenario. Therefore, losses weigh more than gains in decisions.

In addition to maximizing their utility, the customer must set the bid high enough to be accepted, without overpaying (Fay & Laran, 2009). This is a unique bidding situation, in that the bidder must keep in mind that if their bid is too low it could be rejected, causing them to wait until a later time to bid again. According to Fay and Laran (2004), “because consumers are impatient, a later win is less valuable than an earlier win” (p. 1786). Therefore, consumers may bid higher in an attempt to have it accepted, losing the larger discount. This consumer impatience and need for a valuable win has been referred to as a “dynamic element” of the bidding process (Fay & Laran, 2009, p. 1786).

The bid amount is also affected by the flexibility the bidder has in the purchase. For example, in a Priceline bidding scenario, if a consumer is bidding on an airplane ticket from Dallas/Fort Worth, Texas (DFW) to Orlando, Florida (MCO), they are not selecting the departure time or airline. In addition, changing certain characteristics to the flight may help their chances of submitting a successful bid (Spann et al., 2004). For example, the bidder wanting to fly from DFW to MCO might increase their chances by selecting more stopovers, or being flexible in their departure and arrival airport. In a sport event ticketing context, the consumer might be flexible in their seating section.

After a bid is submitted to the third-party retailer, the retailer takes a few minutes to tell the bidder if their initial bid was accepted or rejected. If the bid is accepted, the credit card the bidder provided during the bidding process is charged for the amount bid. If the bid was rejected the consumer must wait 24 hours to bid on the exact same flight

(Bernhardt & Spann, 2010; Spann & Tellis, 2006). Detailed information about how the bids are accepted or rejected will be described henceforth.

The Bidding Process: Accepting the Bid. According to Amaldoss and Jain (2008), NYOP retailers receive the rights to sell perishable goods or services, but without posting a price. These goods or services are those in low demand. For example, if a hotel realizes they have 30 unsold rooms for a given night, they may give Priceline the right to sell 15 of those rooms through their NYOP system. The hotel realizes that if these rooms are not sold, they are losing the opportunity to receive revenue from price sensitive customers. However, the hotel also realizes that if they do not set a minimum price to cover their marginal costs, they will not profit from the transaction (Wang et al., 2009). Therefore, the hotel tells Priceline their lowest acceptable price; their secret threshold price.

It would be simple to say that the hotel would just set their secret threshold price at the cost it would take to fill that room (marginal costs). However, that price threshold setting method may not be the best profit maximizing method. Terwiesch et al. (2005) suggested that a seller should set their threshold price “to maximize the cumulative profit from all successful offers” (p. 346). In other words, the hotel or airline may be able to increase the threshold price beyond the marginal cost because of the demand for those services. For example, if an airline realizes that the demand for airfare into a city has historically increased around a certain time of year (i.e. city festival, national conference, etc.), they may increase that threshold price because they know the historical contexts of the demand around that time period. Likewise, hotels in a heavy tourism district of a city

might increase their threshold price on the weekends because traveler's have an increased need for weekend accommodations. This demand based price setting is comparable to variable ticket pricing mechanisms used in the sport industry (Rascher et al., 2007).

The threshold price commonly used in NYOP formats has been called a reserve price (Cai et al., 2009). If the customer's bid is above that reserve price, then the reverse pricing transaction is complete (Cai et al., 2009). Therefore, for a successful NYOP transaction to occur, the customer must make educated bids. According to Kanna and Kopalle (2001), if customers make conservative bids because they are uncertain about the bid price, the likelihood of a failed bid increases. They believe this is what happened when Priceline first began. "Priceline's early experience indicated that the bid success rate was only around 10 percent, and only 35 percent of the bids tended to be nonfrivolous" (Kanna & Kopalle, 2001, p. 75).

In light of their unsuccessful bidders, Priceline attempted to increase the bidder's chance of submitting an acceptable bid through educating the bidder. According to Wilson and Zhang (2008), when a consumer submitted a frivolous bid, Priceline stepped in and suggested the customer's bid has a low probability of being accepted. They stated, "In a very loose way, Priceline is indicating a bid of \$49 has a high probability of success while a bid of \$47 has a lower probability of success. At this state – before the bid is processed – the customer is asked to consider revising the bid" (Wilson & Zhang, 2008, p. 282).

After the service provider has submitted a secret threshold price to the NYOP retailer, and the customer has been informed if their bid is unlikely to be accepted, the NYOP retailer goes through a set of comparisons. According to Anderson and Wilson (2011), the NYOP retailer takes the customers bid and creates a list of all the services that match the request. For example, a customer bids on a flight from DFW to MCO with no more than one stopover. The NYOP retailer then finds all the flights (i.e. airlines) that fly from DFW to MCO for the travel date that have less than two stopovers. To keep the selection process fair, giving all properties on the new list an equal likelihood of being selected, the NYOP retailer will randomly select a qualifying service provider (Anderson & Wilson, 2011). The NYOP retailer then takes the bid and compares it with the secret threshold price of the random service provider. “If the selected property has a price lower than the consumer’s bid then a transaction occurs” (Anderson & Wilson, 2011, p. 33). If the customer’s bid is not above the secret threshold price, a second round occurs (Anderson & Wilson, 2011).

In the second round of the NYOP retailer’s system, the original list is examined. Those service providers that qualify for the bidder’s needs are then selected based on different criteria than the first round. “In this second round each property does not have an equal chance of being selected” (Anderson & Wilson, 2011, p. 33). Here, the NYOP retailer looks at the historical success rates of the remaining service provider’s first round. In other words, if a service provider historically accepted numerous bids in the first round, their likelihood of being selected in the second round increases substantially (Anderson & Wilson, 2011).

If after the second round of comparisons, the bid price is still not accepted by a service provider (i.e. the customer's bid is below the threshold price of all service providers in the two rounds), the round continues. In other words, the second round continues until either the bid is accepted by a service provider, or there are no more service providers left that meet the qualifications of the bid (Anderson & Wilson, 2011). If the bid is not above any service provider's secret threshold price, the retailer notifies the customer that their bid has not been accepted, and they must wait to bid on the identical good or service.

The Bidding Process: Rejecting the Bid. In the event that the bid is not accepted through the various rounds of bid-secret threshold price comparisons, the customer is informed of the unsuccessful bid. According to Spann and Tellis (2006), this is the point in the NYOP situation where processes change. They suggest that there are two different types of NYOP rejection scenarios: a) the retailer limits the customer to a single bid over a 24 hour period (i.e. Priceline's model; Bernhardt & Spann, 2010; Spann & Tellis, 2006), or b) the retailer lets the customer bid again. Fay (2004) suggests that even if the retailer limits that customer to a single bid, they may still use multiple credit cards to immediately bid again. Therefore, some suggest that imposing a single bid is implausible (Bernhardt & Spann, 2010). Discussions about allowing multiple bids will be examined later.

If a bid is rejected, information may be obtained by the retailer. This information includes the "lower limit of the range of (the customer's) price at that moment" (Spann & Tellis, 2006, p.66). However, in the current scenario, the retailer does not share this

information with either exchange party. If a firm were to sell its own goods and services through a NYOP mechanism, they would have the advantage of knowing the consumer's reservation price. Spann et al. (2010) suggest that there are a couple of drawbacks to a firm selling their own goods or services through NYOP mechanisms. They state, "For example, if Priceline does not sell a given seat on a flight to a customer interested in buying it right now, both the seat and the customer may disappear before another opportunity for a trade arises" (Spann et al., 2010, p. 1058-1059). Likewise, Amaldoss and Jain (2008) suggest if the customer's bid is rejected, they may still have the chance to sell the good or service to another customer. Therefore, by selling a good or service through a NYOP mechanism, an individual sport organization may be able to know the customer's lower reservation price, even if rejected.

Revenue from Name-Your-Own-Price Mechanisms. If the bid is accepted by a service provider through one of the rounds in Priceline's system, then the customer is charged for that amount. However, Priceline makes their profit from the differences between the bid and the secret threshold price (Amaldoss & Jain, 2008; Anderson & Wilson, 2011; Kanna & Kopella, 2001). Priceline's profit model is different for each type of good or service they sold. For example, in the airline and hotel industry, they receive the difference between the bid and the threshold price. When they sold groceries and gasoline through a NYOP mechanism the retailers (grocery store & gas stations) received full retail price, Priceline received the difference (Kanna & Kopalle, 2001). According to Kanna and Kopalle (2001), selling groceries and gasoline did not work because "consumers (mostly deal seeking consumers) were very knowledgeable about

prices and consistently bid low to get good deals, and as a result the margins were mostly negative” (p. 76).

To illustrate the current method retailers like Priceline use to profit from NYOP, take an example of a customer wishing to stay at a four star hotel in downtown Fort Worth, Texas. The customer submits a bid for \$75 per night. The bid is accepted by a qualifying hotel with a secret threshold price of \$50. The customer still pays the \$75 bid price (plus taxes), and the hotel receives the \$50 asking price. However, Priceline receives the \$25 difference. Interestingly, the customer never knows the secret threshold price, and the hotel never knows the customer’s bid. According to Amaldoss and Jain (2008), the retailer (Priceline) is the only entity in the exchange that knows both the bid amount and the secret threshold price. Therefore, if the retailer was taken out of the equation (meaning the service provider hosts the reverse pricing scenario), the service provider receives the full profit while keeping their secret threshold price a secret. In addition, the service provider can then gain direct access to the individual bids for their goods or services. This information can help organizations make decisions about demand and setting optimal prices.

The Name-Your-Own-Price Process in Sport. The NYOP promotion at the St. Louis Blues was for an individual game, full-season ticket, and smaller ticket packages. The promotion was also sponsored by Ticketmaster. Wyshynski (2009) stated the process began with “a pulldown menu with minimum bids for different tickets. To bid for them, you type a full dollar amount” (p. 1). The St. Louis Blues accepted or rejected the fan’s offer. The Ticketmaster sponsorship worked well for the Blues, because if the

consumer bid below the retail value of that ticket, Ticketmaster picked up the difference. This is a variation to the third-party retailer (i.e. Priceline) commonly seen in NYOP mechanisms. However, the Florida Panthers' NYOP promotion was somewhat different from the Blues'. In their promotion if the bid was rejected, the Panthers submitted a counter offer to the bidder (Wyshynski, 2010), thus turning the NYOP mechanism into a negotiation. Regardless, in these sport NYOP contexts, there was no secret threshold price set and given to a third party. Here the organization knew the secret threshold price as well as each individual bid.

In the airline industry, airlines do not need to worry about varying ticket prices because consumers are coming into the purchase situation understanding they may not pay the same price as the person sitting next to them. However, Rovell (2010) suggests that teams should be concerned with using participatory pricing mechanisms because regular season ticket holders have already purchased the tickets at retail price. Wyshynski (2010) suggested that the biggest difference between the Panthers' promotion and the Blues' promotion is the Blues' gave season ticket holders assurances of the value of their full priced tickets. For example, "season ticket holders that might have their feelings hurt by these deep discounts were assured that the plan was limited to 500 seats and four sections in the arena that were already rather unsold" (p. 1). Also, in this scenario the fan was shown the retail values of the tickets during the bidding process. Regardless of who used the NYOP promotion, both sport organizations have responded to the bids within a 24 hours period.

The Pay-What-You-Want Mechanism. The PWYW pricing process is relatively simple. The PWYW pricing mechanism gives the consumer ultimate freedom in the final price they pay. According to Kim et al. (2009), “PWYW is a participative pricing model in which...the buyer can set any price above or equal to zero, and the seller cannot reject it” (p. 44). Therefore, the most important difference between PWYW pricing and NYOP is that the firm cannot reject the buyer’s offer. Thus, there is no secret threshold price in PWYW pricing; the firm must take any offer (Kim et al., 2009). Some have argued that this method is a “marketer’s dream” (Raju & Zhang, 2010, p. 22), meaning each buyer will leave the scenario knowing they did not overpay.

Kim et al. (2010) find that there are several design structures that should be considered when using a PWYW pricing strategy. They suggest that the method of payment can influence the prices paid. For example, those firms that use a face-to-face (direct) payment method must tell an actual person representing that firm what they want

to pay. In this scenario, if the consumer pays nothing (which is possible in PWYW), their actions may be seen as a violation of “social exchange norms... resulting in distress and social disapproval by other people” (Kim et al., 2009, p. 46). If the method of payment was online, the consumer may feel disguised, and therefore less distress after little or no payment.

Finally, giving the consumer other information about the good or service (e.g. the retail value) may give consumers a reference in which to form their offer. This may help consumers that do not know much about the good or service. In addition, by offering a reference price, the firm gives the customers a norm in which to adjust their behavior. For example, according to Raju and Zhang (2010), “many of the 5 million visitors a year to the Metropolitan Museum of Art in New York pay \$20 a person to enter, despite the sign that clearly specifies that the price is a ‘suggested donation’” (p. 25). An overview of the participatory pricing literature pertaining to its form is displayed in Table 2.3.

Table 2.3:
Overview of participatory pricing literature - form

Authors	Central Thesis	Key Findings/Summary
Amaldoss & Jain (2008)	Joint bids for multiple items in NYOP	<ul style="list-style-type: none"> - Joint bidding can increase NYOP profits and consumer surplus in some conditions.
Cai, Chao, & Li (2009)	Multiple bidding in NYOP	<ul style="list-style-type: none"> - Double bidding outperforms single bidding, especially when inventory is low.
Chandran & Morwitz (2005)	Consumer perceptions and behavior in participative pricing	<ul style="list-style-type: none"> - Consumer focus of setting the price of the bid, rather than whether the bid was a good deal. - Focusing on the price, rather than a good deal, leads to higher intent to purchase.
Ding, Eliashberg, Huber, & Saini (2005)	Bidder's Emotions	<ul style="list-style-type: none"> - Emotions effect the bidder's mindset and behavior. - Excitement and frustration are the two primary emotions associated with bidding.
Fay & Laran (2009)	Bid behavior in NYOP	<ul style="list-style-type: none"> - Bids will eventually decrease over time. - Impatient and impatient bidders decrease at the same rate.
Kanna & Kopalle (2001)	Dynamic and reverse pricing.	<ul style="list-style-type: none"> - The reverse pricing process. - Reference prices and consumer price knowledge determines retailer profit margin.
Spann & Tellis (2006)	Consumer decisions in NYOP	<ul style="list-style-type: none"> - Many consumers are not rational in their decision making. - Firms can segment consumers by bidding behavior.
Terwiesch, Savin, & Hann (2005)	NYOP bidding behavior and haggling	<ul style="list-style-type: none"> - NYOP sellers should set secret threshold prices to maximize profit (i.e. beyond marginal costs).

What Are Some Negative Outcomes of Participatory Pricing Strategies?

Name-Your-Own-Price

While there are many reasons why firms may choose participatory pricing strategies, there are several issues that might arise with their implementation. Regardless of their implementation, sport organizations that seek to use participatory pricing strategies should be aware of these disadvantages and take steps to overcome their pitfalls. Therefore, the following issues should be considered when implementing participatory pricing strategies.

First, a potential negative outcome to implementing participatory pricing is that most of the time, the NYOP mechanism is only used by third-party retailers (i.e. ScoreBig & Priceline). In NYOP, consumers bid on an opaque service (e.g. hotel room, airline ticket, rental car). These bids go to a third-party retailer (i.e. Priceline) that offers supplier's (e.g. hotels, airlines, and rental car companies) services. If the customer's bid is accepted by the third-party retailer, the retailer retains the bid price minus the seller's price, and the supplier received reduced revenue (Wang et al., 2009).

Unique to the reverse pricing mechanism (i.e. NYOP), customers are bidding against the merchant, not one another (Chernev, 2003). In other types of auctions, customers seek to purchase a good or service by competing with other customers. This is an advantage to sellers because consumers are bidding against each other on their good or service. This gives the seller the potential to receive greater profits than if the traditional fixed-price method was used. Therefore, in reverse pricing (i.e. NYOP) consumers are only bidding/negotiating with the seller; the potential to provoke a

“bidding war” between customers is no longer an option. In addition, customers always have the option to walk away from a transaction if the bid is not accepted in a NYOP situation (Chernev, 2003).

Another disadvantage to using a third party in NYOP strategies is the inability to gather consumer information, specifically demand for the goods or services. According to Amaldoss and Jain (2008), the retailer is the only entity that knows both the bid amount and the secret threshold price. Therefore, eliminating the third-party retailer could give the service provider the opportunity to know each bid for their goods or services, while still keeping the secret threshold price from the individual customers.

The final drawback to the NYOP mechanism is that customers are bidding on opaque goods or services (Amaldoss & Jain, 2008). This is a potential problem when providing service quality to consumers. Therefore, consumers must be flexible in their purchases (Mills & Law, 2001), possibly causing negative consumer perceptions.

Pay-What-You-Want

Probably the biggest drawback to using PWYW pricing is the potential risk associated with non-payment. Even though much of the research in participatory pricing has found that purchase intentions increase when such methods are used, firms are still hesitant to use PWYW pricing (Kim et al., 2009). Much of this hesitation may be formed by the inability of intentions to be an indicator of behavior. However, in the extant PWYW pricing literature, each study has found that consumers pay appropriate and reasonable prices, in relation to the average retail price (Kim et al., 2009; Kim et al., 2010). Further evidence of increased profits using PWYW pricing can be seen in the

restaurant industry. For example, the One World Café, a restaurant in Salt Lake City, Utah, uses a PWYW pricing strategy. Here the consumer eats their food and then tells the owner or manager what they feel the food was worth. Since 2005, the café has realized a 5% profit margin, within the acceptable 4%-6% range found in other small restaurants (Raju & Zhang, 2010). This behavior is considered a display of altruism and fairness on the part of the consumer (Kim et al., 2010).

Another possible drawback to using PWYW pricing is the focus consumers place on price. Some have argued that PWYW pricing may negatively affect the perceived value of the good or service being sold (Raju & Zhang, 2010). Focusing primarily on the price of the good may take the consumer's attention away from the experience of the sport event, and lead them to continually evaluate whether the experience is worth what they paid. This can be harmful to the brand's value if a consumer's experience is subpar. Thus, a negative event experience could lead to a decrease in the price paid in a PWYW scenario, as well as the fairness of fixed-prices (ratio of inputs to outputs, equity theory).

Perceived Value

Defined

Perceived value has been investigated in many disciplines. Extant literature has sought to discover more about consumers and their perceptions and behaviors. For example, much of the seminal work related to perceived value has come from consumer behavior and marketing (e.g. Helkkula & Kelleher, 2010; Parasuraman, 1997; Parasuraman & Grewal, 2000; and Zeithaml, 1988), sport marketing (e.g. Han & Kwon, 2009; Kwon, Trail, & James, 2007), and tourism disciplines (e.g. Petrick, 2002; 2004;

Petrick, Backman, & Bixler, 1999). The remainder of this section of the literature review will discuss the findings from these multiple disciplines and their application to the current study.

One of the hallmark definitions of perceived value comes from Zeithaml (1988). According to Zeithaml (1988), perceived value is “the customer’s overall assessment of the utility of a product based on perceptions of what is received and what is given” (p. 14). In other words, perceived value is the utility received from a transaction; the consumer evaluates what they received based on what they give (pay). Petrick (2002) suggests that perceived value consists of five variables, with the core variable being quality and perception of price. For example, this definition would assume that when a consumer decides whether they receive value from a transaction, their decision is based on the quality, monetary and behavioral price, reputation, and emotional response based on the good or service received.

According to Zeithaml (1988), there are four perspectives that researchers can take when investigating value. Researchers can first investigate the relationship between value and low price. The second, researchers can seek to determine if value is tied to the good or service the consumer wants, compared to what they get. The fourth perspective is concerned with what the consumer receives in relation to what they give. The third perspective will be discussed henceforth.

The third is possibly the most important to discuss in light of the current study. This perspective suggests that value is determined by evaluating the quality of the good or service the consumer receives in relation to the price they paid. The current study is

unique due to the context being investigated; sport events. In this context, every consumer receives the same product; the event. At a professional sporting event, the patrons are consuming the same product on the field (however, non-game experiences can change product evaluations), regardless of the price they pay. Therefore, if perceived value is what is being investigated, using Zeithaml's (1988) third perspective (value is the quality received versus the price paid), one of the few things marketers can control is the price paid. If the consumer has a more favorable perception of the price, they may be more likely to have a positive perceived value. Therefore, when quality is uncontrollable by marketers (i.e. quality of the game play, wins/losses, etc.), consumers may be more likely to focus on the price perception (i.e. price fairness) side of this value determination. Therefore, based on the aforementioned implications, the current study posits that perceived value is influenced by the pricing mechanism used.

Hypothesis 2: Perceived value evaluations will be significantly different between experimental groups.

Need for Perceived Value

Before the discussion continues to address the conceptualization and dimensions of perceived value, it is believed to be important to address the need for the investigation of this construct. Several researchers posit that perceived value is the core to many decisions consumers make. For example, Petrick (2004) suggested that "perceived value is the most important indicator of future purchase behavior for services" (p. 29). Partially due to these behaviors, purchase intentions and willingness-to-pay were included in the current study.

Perceived value is important to the current study for a couple of reasons. First, Parasuraman (1997) suggested that marketers should investigate value because it is one of the most effective ways to of gaining a competitive edge. Second, Dodds (1996) suggested that beyond the relationship between quality and price, consumers make decisions about their purchases based on the perceptions of others. In other words, consumers are aware of their peers, and they are more likely to make decisions that are viewed positively by others. This is important to the current study because consumers participating in price setting may be more likely to place a bid that is socially acceptable; possibly reducing the likelihood of frivolous bids.

In his investigation of cruise line passengers' perceived value and repurchase intentions, Petrick (2004) found that "perceived value and quality were strongly related to repurchase intentions" (p. 37). Furthermore, Han and Kwon (2009) suggest that perceived value has primarily been investigated by focusing on extrinsic cues and perceived quality. Therefore, it is believe to be important to include quality into the conceptualization of perceived value. The following section will investigate the dimensions of perceived value used in the current study; including quality.

Dimensions of Perceived Value

The current study modified Petrick's (2004) model of perceived value.

Therefore, perceived value has been segmented into five distinct concepts: a) quality, b) emotional response, c) monetary price, d) behavioral price, and e) reputation. Perceived quality has been identified as a contributing factor to overall perceived value by researchers (e.g. Cronin, Brady, & Hult, 2000). Likewise, Petrick (2002) included quality in his scale. Petrick (2002) drew from Zeithaml's (1988) study when defining quality as "a consumer judgment about a product's or service's overall excellence or superiority" (p. 31). Petrick (2002) found that quality was an influencing variable on overall perceived value, however, it also had a significant impact on consumers' repurchase intentions. Emotional response focuses primarily on the pleasurable feelings following a purchase. Monetary price is a determination of price from the consumer's perspective. Behavioral price is the nonmonetary evaluation of a transaction. Finally, reputation deals with the consumer's perceptions of the supplier (Petrick, 2004). An overview of the perceived value literature examined in this chapter is displayed in Table 2.4.

Table 2.4:
Overview of perceived value literature

Authors	Central Thesis	Key Findings/Summary
Han & Kwon (2009)	Mediating effect of perceived quality in relation to extrinsic cues and perceived value	<ul style="list-style-type: none"> - Perceived quality partially mediates the relationships of brand name and country of origin and perceived value.
Kwon, Trail, & James (2007)	The mediating role of perceived value on the team ID and purchase intention relationship	<ul style="list-style-type: none"> - When taking perceived value as a mediator, team identification influences consumers' purchase intentions of team-licensed apparel.
Parasuraman (1997)	Understanding how customer value can help an organization gain a competitive edge	<ul style="list-style-type: none"> - Conceptualization of customer value. - Creates a framework for understanding customer value.
Petrack (2002)	Multi-Dimensional Scale for measuring perceived value	<ul style="list-style-type: none"> - Created a conceptualization of perceived value, which includes quality. - Developed the scale of five variables toward perceived value (i.e. quality, emotional response, monetary price, behavioral price, and reputation).
Petrack, Backman, & Bixler (1999)	What factors impact golfer satisfaction and perceived value	<ul style="list-style-type: none"> - Perceived value has an impact on purchase intentions, based on the category of course they played.
Zeithaml (1988)	How price, quality, and value influence behavior	<ul style="list-style-type: none"> - Presents a conceptualization of value. - Develops propositions about managing price, quality, and value.

Willingness-to-Pay

There are numerous investigations seeking to understand the willingness-to-pay (WTP) construct. These studies have attempted to determine the best method of measurement (Donaldson, Thomas, & Torgerson, 1997; Theysohn, 2006; Voelckner, 2006) and the relationship between bidding behavior and WTP in participatory pricing scenarios (Spann et al., 2004). A brief overview of these investigations is forthcoming. However, an understanding of the operational definition of the WTP construct is needed.

The WTP construct has primarily been defined and explored by marketers and economists. Some have referred to WTP as price tolerance; how high can the price get before the customer switches to another good or service (Anderson, 1996). Economists sometimes refer to WTP as a “reservation price” (Homburg, Koshate, & Hoyer, 2005, p. 85; Voelckner, 2006). However, much of the extant literature suggests WTP is the amount of money a customer is willing to spend on a given good or service (Homburg et al., 2005; Voelckner, 2006). In other words, WTP indicates “the maximum amount that consumers intend to pay” (Chung, Kyle, Petrick, & Absher, 2011, p. 1039).

Much of the WTP literature and measures have been centered on one main theory, Contingent Valuation. This approach was developed in 1947 by Ciriacy-Wantrup (1947). Theysohn (2006). Theysohn (2006) suggested that the Contingent Valuation approach asks the customer to state their WTP during a purchase process. Theysohn (2006) also proposed that this “is now considered a common tool in marketing research to derive pricing strategies across multiple product spectrums” (p. 21).

The relationship between perceived value and willingness-to-pay is relatively unexplored in the sport marketing literature. Much of the research surrounding perceived value focuses on the relationship between perceived value and (re)purchase intentions. In their study of quality, satisfaction, and consumer behavior, Xu et al. (2006) found that quality led to satisfaction, and satisfaction in turn led to positive consumer behaviors (e.g. word of mouth, willingness to pay more, and patronage). In addition, according to Hamburg et al. (2005), a consumer is willing to pay an amount that reflects the value they receive from the transaction. Furthermore, Cronin et al. (2000) argued that perceived value may be the greatest influence on consumers when they determine their behavioral intentions. In addition, Zeithaml, Berry, & Parasuraman (1996) proposed that marketers can influence consumers' behavioral intentions. According to Zeithaml et al. (1996), consumers' willingness-to-pay is included in the conceptualization of behavioral intentions.

Willingness-to-Pay & Participatory Pricing Strategies

In the extant literature, the WTP-participatory pricing relationship has been examined (e.g. Spann et al., 2004; Fay & Laran, 2009), as well as with sport goods and services offered via internet transactions (Theyson, 2006). Spann et al. (2004) argued that by obtaining a customer's WTP, firms can set optimal prices, often with price discrimination in mind. They also suggested that "name-your-own-price sellers (are able) to segment consumers based on their WTP" (Spann et al., 2004, p. 32). It has also been suggested that participatory pricing firms can also predict a customer's WTP based on numerous variables (e.g. demographics), and set threshold prices according to these

WTP evaluations (Spann et al., 2004). Theysohn (2006) posited that digital goods and services are often difficult to price due to their unconventional characteristics (i.e. low marginal costs). Many sport goods and services sold through participatory pricing strategies are similar to digital goods and services (e.g. low marginal costs). Therefore, “pricing strategies based on consumers’ WTP are becoming more and more important and the knowledge of WTP is crucial for each club to evaluate the profitability of such a product” (Theysohn, 2006, p. 18).

Due to the proposed importance of “pricing strategies based on consumers’ WTP” (Theysohn, 2006, p. 18), firms should recognize the benefits of focusing on WTP. For example, Spann et al. (2004) suggested that “comparing prices with consumers’ WTP allows us to determine consumer surplus” (p. 23). This would give firms the ability to set optimal prices for their goods and services. This includes the threshold prices for future participatory pricing strategies (i.e. NYOP). This can also give firms information needed for making product offering and pricing decisions. For example, by understanding WTP, firms can determine whether they should price bundle certain product offerings, price discriminate, or offer a good or service through another marketing channel (i.e. web based; Spann et al., 2004).

While there is limited research examining the relationship between WTP and participatory pricing strategies, some have suggested this relationship should be examined further (Spann et al., 2004). Spann et al. (2004) found that consumers participating in price setting through NYOP mechanisms often bid below their WTP. In fact, their investigation revealed consumers bid 3.33% below their WTP (Spann et al.,

2004). This would suggest that consumers participating in price setting often change their bid amount based on the mechanism used. Therefore, based on the aforementioned findings, the current study posits that willingness-to-pay is influenced by the pricing mechanism used.

Hypothesis 3: Willingness-to-pay evaluations will be significantly different between experimental groups.

An overview of the WTP literature examined in this chapter is displayed in Table 2.5.

Table 2.5:
Overview of willingness-to-pay literature

Authors	Central Thesis	Key Findings/Summary
Donaldson, Thomas, & Torgerson (1997)	Open-ended vs. payment scale measurements of WTP	<ul style="list-style-type: none"> - Payment scales led to more valid WTP measurements than open-ended approaches. - Payment scale increase response rate and values, as well as the association between WTP and the customer's ability to pay.
Chernev (2003)	Comparing WTP between NYOP and select your price	<ul style="list-style-type: none"> - Selection is preferred over NYOP. - Using reference prices during NYOP generation is beneficial.
Theysohn (2006)	Sport WTP on the internet	<ul style="list-style-type: none"> - Reviewed the WTP literature in the sport industry.
Spann, Skiera, & Schafer (2004)	NYOP bidding behavior	<ul style="list-style-type: none"> - NYOP sellers can segment consumers based on bidding behavior (i.e WTP).
Voelckner (2006)	Measuring WTP	<ul style="list-style-type: none"> - WTP is significantly higher when consumers are faced with a hypothetical purchase situation than with a real situation.

Purchase Intentions

Firms realize that if consumers do not repurchase their goods or services, they will not be successful (Wilkinson, 2009). Therefore, it is important to measure purchase intentions because it gives marketers an idea of the successfulness of their marketing campaigns. In the current study, it is important to measure purchase intentions because it is often the dependent variable of interest when using participatory pricing mechanisms. For example, a participatory pricing mechanism will likely be used when there is low demand for an event, as well as when there is surplus of inventory (tickets) to be sold. Therefore, this promotional pricing strategy is aimed at increasing attendance. By assessing purchase intentions, marketers implementing participatory pricing strategies can determine if the promotional strategy was successful.

According to Tsuji et al. (2007), “measuring future intentions of attendees is important for the continued success of an event” (p. 201). Consumer behavior literature often seeks to investigate the motivations of consumers before, during, and after a purchase experience. One of the most commonly used theories pertaining to purchase intentions is the theory of planned behavior (Ajzen, 1991). The theory of planned behavior was developed from the theory of reasoned action. According to Ajzen (1991), “a central factor in the theory of planned behavior is the individual’s intention to perform a given behavior” (p. 181). In other words, Ajzen (1991) suggests that people are more likely to behave in a way if their intentions are strong.

Much of the research surrounding perceived value has come from the investigation of the relationship between perceived value and (re)purchase intentions.

Some of this influx of perceived value studies can be attributed to Parasuraman's (1997) suggestion that it is one of the most effective ways of gaining a competitive edge.

Likewise, Parasuraman and Grewal (2000) suggested that this competitive edge is a product of a firm's ability to increase positive value perceptions, thus increasing the likelihood a consumer will have increased purchase intentions. According to Han and Kwon (2009), much of this research has attempted to discover the way marketers are able to convey value to customers.

Several studies have been published in the sport marketing literature in the last couple of decades that focus on the relationship between perceived value and purchase intentions. Kwon et al. (2007) found that perceived value influences a consumer's purchase intention when accounting for team identification. Likewise, Petrick et al. (1999) found that perceived value influenced golfers' repurchase intentions. In addition to the sport marketing discipline, several other researchers have found a positive relationship between perceived value and purchase intentions (e.g. Cronin et al., 2000; Wakefield & Barnes, 1996; Zeithaml, 1988).

Most important to the current discussion, Ajzen (1991) suggests that intentions are often predicted by examining several variables, including perceived behavioral control. For example, if a consumer feels like they have control over the purchase situation, they are likely to behave in a way that matches their intentions. According to Chandran and Morwitz (2005), consumers that participate in the price setting process feel they have more control over the price. Chandran and Morwitz (2005) found that feelings of control led to higher intent to purchase the good or service. They argue that

this increase in intent to purchase may be due to the nature of participatory pricing (Chandran & Morwitz, 2005). Furthermore, McDonald and Stavros (2007) found that consumers are more likely to repurchase if their contributions are being recognized by the firm. Based on the aforementioned findings, the current study proposes that participants' purchase intentions will be influenced by the experimental treatment they are randomly assigned to.

Hypothesis 4: Purchase intention evaluations will be significantly different between experimental groups.

While assessing purchase intentions is commonly done in many disciplines, there are issues surrounding this measure. Most importantly, measuring purchase intentions is not a confirmation of behavior. In other words, someone may intend to purchase a product in the future, however, until the purchase occurs they are still merely intentions. Marketers should be aware of the limitations to purchase intentions, and when available, rely on actual purchase data. An overview of the purchase intentions literature examined in this chapter is displayed in Table 2.6.

Table 2.6:
Overview of purchase intentions literature

Authors	Central Thesis	Key Findings/Summary
Ajzen (1991)	Theory of planned behavior	<ul style="list-style-type: none"> - The intensity of people's intentions dictates their behavior. - When people have control over their behavior, intentions are formed.
Chandran & Morwitz (2005)	Consumer perceptions and behavior in participative pricing	<ul style="list-style-type: none"> - When consumers participate in setting a price, they feel like they have more control. - More control in price setting leads to increased purchase intentions.
McDonald & Stavros (2007)	Consumers' contributions	<ul style="list-style-type: none"> - If consumers' contributions are being recognized by the firm, they are more likely to repurchase the good or service.

Summary

This chapter examined and reviewed the theoretical underpinnings of various elements within the pricing and marketing literature. Specifically, the purpose and form of participatory pricing strategies currently being used in the business and leisure industries was examined, and potential application of participatory pricing strategies in the sport industry was surveyed. In addition, the effect pricing strategies can have on perceived value, willingness-to-pay, and purchase intentions was investigated.

Throughout chapter II, five separate hypotheses were proposed. A summary of all hypotheses is shown in Table 7, as well as the method of testing for each hypothesis.

Table 2.7:
Summary of hypotheses

Hypothesis	Summary	Statistical Analysis
1	Price fairness evaluations will be significantly different between experimental groups.	MANOVA
2	Perceived value evaluations will be significantly different between experimental groups.	MANOVA
3	Willingness-to-pay evaluations will be significantly different between experimental groups.	MANOVA
4	Purchase intention evaluations will be significantly different between experimental groups.	MANOVA
5	Final price paid will be significantly different between experimental groups.	ANOVA

CHAPTER III

METHODOLOGY

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. In Chapter II, five testable hypotheses were proposed. These hypotheses were developed based on previous literature and theory pertaining to participatory pricing mechanisms, price perceptions, and consumer behavior. This chapter discusses the various methodological procedures needed to test these hypotheses. The chapter begins with an explanation of the research strategy. The rest of this chapter explains how a true experimental design is used to evaluate consumer's perceptions of participatory pricing mechanisms.

Following a discussion regarding the research strategy, a description of the methodological approach used, and why it is being implemented is discussed. Second, a review of the research design is presented. This section includes information about the experimental justification. Third, the research setting is presented. Fourth, the design of the pricing mechanisms and procedure is presented. Fifth, a description of how the measures were developed is presented. Finally, the statistical analyses used to test each hypothesis are presented.

Research Strategy

This study tested five separate and distinct hypotheses using a convenience sample. The posttest-only control group design experiment was an experiment used to determine the difference between three pricing mechanisms: a) NYOP, b) PWYW, and

c) traditional fixed-price (control group).

Research Design

This section focuses on the overall design of the current experiment and begins with a discussion regarding why an experimental design was chosen instead of other methodological approaches. Next, an explanation is presented as to why the current experiment is a true experiment rather than pre-experimental or a true experiment. Third, the specific experimental design being used is presented. Following the experimental design explanation, the various threats to internal and external validity that should be controlled for in the design is described.

Why Experimental Design?

While there are many different ways to conduct quantitative research, one of the most commonly used methods in consumer behavior is experimental design. According to Field and Hole (2003), there are two types of research: a) experimental and b) correlational (i.e. non-experimental). According to Campbell and Stanley (1963), the main difference between correlational and experimental research designs is that one manipulates the variables being examined (i.e. experimental) and the other observes those variables without getting involved (i.e. correlational).

According to Kerlinger (1986), there are many strengths and weaknesses of using laboratory experiments to investigate phenomena. For example, one of the main advantages is the researcher's ability to have some control over the experiment (Kerlinger, 1986). In addition, laboratory experiments give the researcher the possibility of being able to easily randomize the sample population into experimental groups

(Kerlinger, 1986). However, the fundamental weakness of laboratory experiments deals with the strength of the independent variables (i.e. groups). In short, because laboratory experiments “are created for special purposes, it can be said that the effects of experimental manipulations are usually weak” (Kerlinger, 1986, p. 367-368).

Campbell and Stanley (1963) proposed that there are three different types of experiments: a) pre-experimental design, b) true experimental design, and c) quasi-experimental design. Pre-experimental designs have their own advantages but are seen as being rather simplistic, and have been criticized for their many limitations and issues with invalidity (Campbell & Stanley, 1963).

The main problem with pre-experimental designs, as well as quasi-experimental designs, is their lack of a randomized sample from the population. True experimental designs take care of this randomization problem. These designs are arguably the preferred experimental design because of their control over factors threatening internal and external validity (Campbell & Stanley, 1963). Because this study randomly assigns participants to treatment, the current study used a true experiment; a variation of the posttest-only control group design. The software used in this experiment (i.e. Qualtrics.com) randomly assigned participants to one of the three groups.

Why Use a Posttest-Only Control Group Design?

In the posttest-only control group design, there is an experimental group that receives a treatment and a control group that does not (Gall, Gall, & Borg, 2003). The current study had a slight variation to the posttest-only control group design; it had two treatments. In the current study, the two experimental treatments were the participatory

pricing mechanisms: a) NYOP and b) PWYW. The control group received the traditional fixed-price treatment (i.e. no-treatment).

Gall et al. (2003) suggested that post-test only control group experimental design is preferred if “you are unable to locate a suitable pretest, or when there is a possibility that the pretest has an effect on the experimental treatment” (p. 395). In the current study, if a pretest asked participants about their perceptions of participation in setting price, it is likely they would have altered their perceptions and sought to focus on participating in pricing, rather than submitting bids. This change in behavior is called a “reactive or interaction effect of testing,” and can jeopardize external validity (Campbell & Stanley, 1963, p. 6). Furthermore, internal validity could have been affected by conducting a pretest in the current study. For example, those participants in the control group may realize they are not being allowed to participate in price setting when others are, causing artificial negative emotions, called compensatory equalization of treatments (Gall et al., 2003).

Traditionally, if the posttest-only control group design has more than one experimental treatment, it is part of a factorial design (Campbell & Stanley, 1963). In the factorial design, the experimental group is compared to levels within the treatment (Campbell & Stanley, 1963). However, the current study did not attempt to determine different levels within the participatory pricing mechanism. Rather, it sought to determine consumer perceptions based on different experimental treatments. Therefore, the current study was a posttest-only control group design with multiple treatments, not a factorial design.

Kerlinger (1986) proposed that it can be beneficial to add more treatment groups to the post-test only control group model in order to help test the hypotheses. For example, Kerlinger (1986) suggested that adding treatments to the posttest-only control group design “can test several hypotheses at one time” (p. 306). Therefore, the current study added multiple treatment groups to give the experimental design the ability to test multiple hypotheses at the same time.

Validity Issues

There are two main types of validity that should be addressed when conducting experiments: a) internal and b) external validity (Campbell & Stanley, 1963; Field & Hole, 2003; Gall et al., 2003; Kerlinger, 1986). Both of these types of validity are briefly examined in this section. In addition, those types of validity that are of particular concern to the current study are described.

According to Gall et al. (2003), internal validity is concerned with the ability of the researcher to control the variables being assessed enough to attribute effects to the experimental treatment. In other words, is the researcher really measuring the variable being evaluated (Hair, Anderson, Tatham, and Black, 1998)? Kerlinger (1986) suggested that internal validity is based on the ability of the research to limit anything from affecting the control within the design.

There are many factors threatening internal validity (e.g. history, maturation, testing, instrumentation, statistical regression, selection, mortality, experimental treatment diffusion, compensatory rivalry by the control group, compensatory equalization of treatments, resentful demoralization of the control group, and

interactions of any of these) (Campbell & Stanley, 1963; Gall et al., 2003). However, some factors threatening internal validity are more prevalent in certain types of experimental designs (Campbell & Stanley, 1963).

In the posttest-only control group design there are few issues that are of major concern to internal validity. However, ignoring their potential threat is not acceptable. Therefore, the various threats to internal validity and how they were controlled for in the current study are examined. History, maturation, testing, instrumentation, and experimental morality are all issues dealing with pretest evaluations, and do not apply in the current study (Campbell & Stanley, 1963). Statistical regression and selection both deal with how the sample is selected and assigned. Because the current sample was selected from a convenience sample, and assigned using randomization, both of these threats were controlled for. Experimental treatment diffusion, compensatory rivalry by the control group, compensatory equalization of treatments, and resentful demoralization of the control group deal with participants interacting and behaving differently based on the group they were assigned to. These threats were controlled for by randomly assigning the participants to groups and not allowing interaction among participants during the experiment.

The other groups of threats to validity deal with external validity. According to Calder, Phillips, and Tybout (1982), external validity is concerned with “whether or not an observed causal relationship should be generalized to and across different measures, persons, settings, and times” (p. 240). In addition, Winer (1999) suggested that generalizability is the central concern of external validity. Furthermore, Lynch (1982)

found that generalizability is based on the phenomenon (behavior) being examined. Beyond generalizability of the measures, Kerlinger (1968) suggested that researchers should also be concerned with the generalizability of the sample being used.

There are many factors threatening external validity (e.g. reactive or interaction effects of testing and the treatment, interaction effect of selection and experimental treatment, multiple-treatment inferences, population validity, random assignment in experiments, and restricted number of participants) (Campbell & Stanley, 1963; Field & Hole, 2003; Gall et al., 2003). Issues of reactive or interaction effects of testing and the treatment and multiple-treatment inferences apply to studies using a pre-test, and therefore are of little concern to the current study (Campbell & Stanley, 1963). The interaction effect of selection and experimental treatment, population validity, random assignment in experiments, and restricted number of participants deal with the validity of the sample (Campbell & Stanley, 1963; Field & Hole, 2003; Gall et al., 2003). In other words, does the sample generalize to the population that would encounter the participatory pricing mechanisms? The current study uses a convenience sample, which has been the topic of debate among many scholars (Peterson, 2001; Winer, 1999).

Participants

Participants were undergraduate students taking courses at a large or small southwestern university. These students were selected from multiple undergraduate courses (both in class and online based). Students were given extra credit for their participation in the experiment in some classes. Some students were asked to participate in the experiment without extra credit being offered (N=85). Following analysis of

demographic information (i.e. age, gender, and ethnicity), few differences appeared between those participants receiving extra credit and those that did not. For example, the mean gender was similar in both groups ($M = 1.45$, 1 = female, 2 = male), as well as ethnicity (primarily White, non-Hispanics). However, age was slightly different between the two groups. The extra credit group was slightly younger ($M = 21.35$) than the non-extra credit group ($M = 25.00$). When the MANOVA was run between the extra credit and non-extra credit groups, no differences were found.

After students were informed of the extra credit, and they agreed to participate, they were randomly assigned to one of three groups. Therefore, the participants were not taken from a random sample, but they were randomly assigned to groups.

Because their participation in the study was voluntary, if the students chose not to participate, an optional alternative assignment was given if extra credit was requested and allowed by the instructor. The students were also informed that they may stop the study at any time without damage to their reputation with the universities or instructor of the course they are in. In addition, an information sheet was given to the students prior to the study beginning.

Several scholars have debated the topic of using students in experimental studies (i.e. Lynch, 1982; Peterson, 2001). For example, Peterson (2001) conducted a meta-analysis assessing the use of college students as subjects in consumer research. He found that college student responses were “slightly more homogeneous than those of nonstudent subjects,” suggesting researchers should exercise caution when using student

populations (Peterson, 2001, p. 450). He further suggested that studies using student populations should be replicated with nonstudent subjects (Peterson, 2001).

Pricing Mechanism Design & Procedure

According to Hinz and Spann (2008), research in participatory pricing has focused on two broad managerial questions: a) How do consumers behave in a bidding situation like NYOP auctions? And, b) what is the optimal design for participatory pricing, such as auctions? In addition, Shapiro and Zillante (2009) suggested this same line of research has also addressed how traditional fixed-price strategies compare to participatory pricing methods. Furthermore, they proposed that this research also investigates the combination of fixed-price and participatory pricing.

This experiment used a Houston Texan's football game as the context. This game was stated as being a Week 3 game; no opponent or date was described to the participants.

The rest of this section describes the design of the experimental group treatments (2 participatory pricing treatments, and 1 control group). The current study randomly assigned participants to one of three treatments. The NYOP mechanism is somewhat complex, and therefore much of this section will describe this treatment. Following the NYOP treatment and design, PWYW pricing and the control group will be described.

Name-Your-Own-Price Design

This study included an assessment of three participatory pricing scenarios. The first was a NYOP scenario. The beginning screen explained to the participants that the NYOP offer is part of a fan appreciation event. The screen also gave the participants the

option of seating areas. The seating areas included the same seating sections they would find at this professional football game. The participants were not given the option to select an event date; this game was stated as being a Week 3 game and no opponent or date was described to the participants.

NYOP Design: Optimal Participatory Pricing Design

Much of the extant literature investigating participatory pricing has examined what the optimal design looks like. Several researchers have proposed designs as it relates to posted prices (Anderson, 2009), multiple bids (Cai et al., 2009; Bernhardt & Spann, 2010, Spann et al., 2004), adding a suggested retail price (Cai et al., 2009), and providing acceptance probability to bidders (Wilson & Zhang, 2008). Each of these design structures will be covered hereafter.

Following the introduction section of the treatment, the participants saw the policies regarding bidding and acceptance. For example, they were told that when their bid is accepted/rejected they would receive a confirmation immediately following their submission. They were also informed that if their bid was accepted their credit card (already filled with pseudo information) would be immediately charged with the bid amount and a printable version of the ticket would be emailed to them.

Traditionally, firms implementing NYOP strategies have only given the bidder one bid per 24 hours on identical bids. This has been seen in most industries using NYOP (i.e. ScoreBig, Priceline, Florida Panthers, and St. Louis Blues). However, some researchers have challenged this design. For example, Cai et al. (2009) found that when consumers are given a double-bid option, their final price paid is higher than the

traditional single-bid design. They also found that this is especially true when the inventory is low for the NYOP firm. In addition, Bernhardt and Spann (2010) found that “consumers bid up to higher values when they are allowed to bid repeatedly” (p. 233). Spann et al. (2004) echoed this idea when they found a single bid may reduce the seller’s revenue by causing the consumer to search elsewhere for the good or service. Therefore in this study, if their bid was rejected, their pseudo credit card was not charged, and they had one more chance to have a successful bid. If they had a second unsuccessful bid, they were told they must wait 24 hours before bidding again on the same section. In other words, this study used a double bid format, and after an unsuccessful second bid that participants were required to bid for a different section. This increased their likelihood of success.

In the participatory pricing mechanisms currently studied (i.e. NYOP & PWYW), firms sometimes offer a suggested retail price for the good or service. For example, according to Raju and Zhang (2010), “many of the 5 million visitors a year to the Metropolitan Museum of Art in New York pay \$20 a person to enter, despite the sign that clearly specifies that the price is a ‘suggested donation’” (p. 25). In their study of bidding models in the NYOP context, Cai et al. (2009) found that by adding the firm’s retail price, consumer prices increase; regardless of the number of bids the consumer is allowed. Therefore, in addition to the information about successful and rejected bids, participants were informed of the face-value (regular) price of the event ticket. This helped the consumer form their bid/offer. This is especially useful for those consumers that do not have much experience with the firm’s goods or services. These prices were

based off of the actual lowest price for the tickets in each section for the game. These prices were the same as those found on the team's website. Furthermore, the participants were informed that other fans have recently received up to 20% off the retail price. This historical percentage information is commonly provided by NYOP retailers (i.e. ScoreBig.com and Priceline).

Pay-What-You-Want Design

Some participants were randomly assigned to the PWYW pricing scenario. The beginning of this screen explained to the participants that the PWYW offer is part of a fan appreciation event. On the next screen, participants were asked to provide a price which they deemed acceptable for the event. In this section, the participants were provided a reference price; same as the NYOP group. However, the PWYW group was not told the history of percentage discounts (i.e. recent fans bids have been 20% off). In addition, regardless of the bid amount, the consumer received confirmation of the bids acceptance. They were also informed that once they submitted their offer, their pseudo credit card would be charged for that amount, regardless of the price.

Control Group – Traditional Fixed-Price Design

The traditional fixed-price purchase process was the treatment for the control group for the experiment. This group experienced a purchase situation very similar to the actual team's website. In this scenario, they were not given an option to submit bids; they were only allowed to search the sections they wished to sit in, and then purchase the tickets with pseudo credit card information.

Regardless of the experimental group the participant was randomly placed in, all participants received the same questions regarding their perceptions of the purchase process they encountered.

Measures

There were five sections of the study that use scaled measurements: a) price fairness perceptions, b) perceived value, c) willingness-to-pay estimation, d) purchase intentions, and e) demographics. Each of these measures are examined henceforth.

Price Fairness

The scale implemented was adapted from Hermann et al. (2007). In their study of the influence of price fairness on customer satisfaction, Hermann et al. (2007) tested several scales related to price fairness and satisfaction. One of these scales focused on the pricing procedure fairness. According to Hermann et al. (2007), their scale was based on procedural fairness. In Hermann et al.'s (2007) study, their pricing procedure fairness scale reveal acceptable reliability ($\alpha = .85$). Item 1 was developed to focus on the price setting procedure. This item wording changed from “dealer” to “event promoter” and was written in the current study as, “The terms of this event promoter are fair.” Item 2 again focused on the procedure, and again wording changed to “event promoter”. Item 2 was written “The procedure of buying these tickets from the event promoter is fair. Finally the third item in this set came from procedural justice theory and focused on the consumer involvement with the price setting. Item 3 was written “My involvement in setting the price caused me to feel the price I received was fair. All items were listed following the statement, “After reviewing these scenarios, please answer the following

statements. Before you answer, think about the purchase experience you just had.” The participants were then asked to respond on a 7-point Likert scale. The scale was valued as the following: 1 = strongly disagree, 2 = disagree, 3 = somewhat disagree, 4 = neither agree nor disagree, 5 = somewhat agree, 6 = agree, 7 = strongly agree.

Perceived Value

The scale used in the current study was adapted from the scale developed by Petrick (2002). The items were used with slight variations to the wording for the statements. For example, “ticket” was used to indicate the item being purchased. In addition, “team” was used to indicate the purchase from a team. Regardless, this scale focuses on factors related to quality, emotional response, monetary price, behavioral price, and reputation. In Petrick’s (2002) paper, these items were used together to identify a model of perceived value.

The quality factor items came from recreation and tourism managers and Zeithaml (1988). Item 1 stated: “The purchase was of outstanding quality.” Item 2 stated: “The purchase was very reliable.” Item 3 stated: “The purchase was very dependable.” Item 4 stated “The purchase was very consistent.” In Petrick’s (2002) paper, composite reliability scores for this factor were tested three times (one pretest, and two separate tests). All tests reveals no issues with internal consistency (pretest = .79, test 1 = .93, test 2 = .92).

The emotional response factor items were developed from judgments about the good or service and how much pleasure was gained from the purchase. Item 1 stated: “The purchase made me feel good.” Item 2 stated: “The purchase gave me pleasure.”

Item 3 stated: “The purchase gave me a sense of joy.” Item 4 stated “The purchase makes me feel delighted.” Item 5 stated: “The purchase gave me happiness.” In Petrick’s (2002) paper, composite reliability scores for this factor were tested three times (one pretest, and two separate tests). All tests reveals no issues with internal consistency (pretest = .93, test 1 = .96, test 2 = .95).

The monetary price factor items focused on the price the consumer paid. Item 1 stated: “The ticket was a good buy.” Item 2 stated: “The ticket is worth the money.” Item 3 stated: “The ticket is fairly priced.” Item 4 stated “The ticket is reasonably priced.” Item 5 stated: “The ticket is economical.” Item 6 stated: “The ticket appears to be a good bargain.” In Petrick’s (2002) paper, composite reliability scores for this factor were tested three times (one pretest, and two separate tests). All tests reveals no issues with internal consistency (pretest = .90, test 1 = .94, test 2 = .94).

The behavioral response factor items focused on the non-monetary price the consumer had to pay by purchasing the good or service. Item 1 stated: “The ticket was an easy buy.” Item 2 stated: “The ticket required little energy to purchase.” Item 3 stated: “The ticket was easy to shop for.” Item 4 stated “The ticket required little effort to buy.” Item 5 stated: “The ticket was easily bought.” In Petrick’s (2002) paper, composite reliability scores for this factor were tested three times (one pretest, and two separate tests). All tests reveals no issues with internal consistency (pretest = .92, test 1 = .96, test 2 = .95).

The reputation factor items were developed from the prestige gained from purchasing that good or service from the firm. Item 1 stated: “The team has a good

reputation.” Item 2 stated: “The team is well respected.” Item 3 stated: “The team is well thought of.” Item 4 stated “The team has status.” Item 5 stated: “The team is reputable.” In Petrick’s (2002) paper, composite reliability scores for this factor were tested three times (one pretest, and two separate tests). All tests reveals no issues with internal consistency (pretest = .85, test 1 = .94, test 2 = .92).

All items were listed following the statement, “After reviewing these scenarios, please answer the following statements. Before you answer, think about the purchase experience you just had.” The participants were then asked to respond on a 7-point Likert scale. The scale was valued as the following: 1 = strongly disagree, 2 = disagree, 3 = somewhat disagree, 4 = neither agree nor disagree, 5 = somewhat agree, 6 = agree, 7 = strongly agree.

Willingness-to-Pay

According to Spann et al. (2004), bids in participatory pricing scenarios are not an indication of an individual’s WTP. They argued that researchers seeking to determine WTP of individual consumers should assess this separately. Because the participants are not actually bidding in all treatments in this study, WTP after their exposure to each scenario needed to be assessed.

One must be aware of the limitations of assessing WTP in a hypothetical situation (i.e. no purchase is required of the participants). Voelckner (2006) found that WTP levels are significantly higher in hypothetical situations. Therefore, the results of the WTP assessment should be taken with caution, knowing that these values were likely higher than if the consumer was actually spending the money.

Donaldson et al. (1997) found that there are three separate types of WTP assessments. They suggested that the most commonly used WTP assessment is the open-ended approach. However, they found that the “payment scale technique leads to more valid WTP values than use of the open-ended approach” (Donaldson et al., 1997, p. 79). Therefore the scale items that were used were adapted from Donaldson et al.’s (1997) scale technique. Keep in mind that this scale was the only one used to assess WTP. The prices used in the payment scale were determined based on the retail prices for the actual game. The average price (rounded) of all the sections was placed as the median value on this scale. The bottom anchor value was \$0, with equal increments to the median. The highest anchor was twice the amount of the median value (over \$360).

Purchase Intentions

Next, the participant’s purchase intentions following exposure to the participatory pricing mechanisms were examined. The scale was adapted from Zeithaml, et al. (1996). Zeithaml et al. (1996) sought to examine multiple items that influence a consumer behavioral intentions. In doing this, they focused on items related to purchase intention. These items were developed based on literature investigating loyalty. Adaptions were made with the wording of the items. For example, their study list XYZ as the company; the current study used “types of events” as a replacement. These items’ internal consistency was tested in Zeithaml et al.’s (1996) study using Cronbach’s alpha, across four companies. The scores for Cronbach’s alpha revealed no issues with internal consistency (scores ranged from .93 to .94).

Item 1 focuses on spending of money and stated: “I consider these types of events as my first choice for my entertainment dollar.” Item 2 focused on attendance at future events (i.e. ticket purchase) and stated: “I will likely attend more events of this kind in the next few years.” The last item focuses on the purchase using the method of purchase and stated: “There is a good chance I will buy tickets using a method similar to the method I encountered (if available).”

All items were listed following the statement, “After reviewing these scenarios, please answer the following statements. Before you answer, think about the purchase experience you just had.” The participants were then asked to respond on a 7-point Likert scale. The scale was valued as the following: 1 = strongly disagree, 2 = disagree, 3 = somewhat disagree, 4 = neither agree nor disagree, 5 = somewhat agree, 6 = agree, 7 = strongly agree.

Demographics

Next, the demographic scale items were based on open ended, categorical, and dichotomous (i.e. gender) variables. For example, the question regarding age was open ended, then cleaned to a whole number. The item regarding age asked: “What best describes your age?” The participants were then asked to fill in a text box with their response. The item asking about gender was a dichotomous variable. It asked: “What best describes your gender?” Possible answers to this question were: “Female” and “Male.” The last item used in this study regarding demographics related to ethnicity. The question asked: “What best describes your ethnicity?” Possible answers included:

“African American,” “Asian or Asian American,” “Hispanic,” “Native American,” “White, non-Hispanic,” or “Other.”

Statistical Analysis

Based on the procedural justice literature, Greenwell et al. (2008) used quantitative methods (hierarchical regression) to determine what impacts university students’ satisfaction with sport ticket pricing policies. Park et al. (2010) used procedural justice theory to determine price acceptability of national park visitors through quantitative methods (regression). Therefore, the current study also used quantitative methods to assess differences between groups (i.e. MANOVA, ANOVA).

To better understand the consumer perceptions following participation in one of the three experimental treatments, the current study took the results of measures following exposure to each treatment and tested them as dependent variables. The independent variables were coded by experimental treatments (NYOP = 1, PWYW = 2, and Fixed = 3). A MANOVA was used to assess differences between these three groups based on the dependent variables (price fairness, perceived value, willingness-to-pay, and purchase intentions). Not all treatments revealed results that allowed the researcher to control for seat location, so it was excluded from this analysis. The results of this analysis are examined in more depth in chapter IV.

CHAPTER IV

RESULTS

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. In Chapter III, research methodology for the current study was described. This included discussions of the research strategy, design, participant selection, pricing mechanism design and procedures, measures, and statistical analyses used. This chapter presents the results of the current study. The chapter begins with an analysis of the sample demographics. The rest of this chapter presents results of hypothesis testing.

Sample Demographics

This study used a convenience sample of college students ($N = 684$). These students were enrolled in a variety of business, exercise/activity, and sport management courses at two universities; a large and a small southwestern university. The experiment was started by 809 participants with only 684 completing the study. Completion of the study, and their inclusion in the final data analysis, was determined by the participants submitting the questionnaire at the end. In other words, 125 participants were excluded because they failed to submit the questionnaire at the end. The majority of the participants began the experimental treatment, but never began the questionnaire. Those that were excluded but began the questionnaire were excluded because they only filled out the first section of the questionnaire, causing their responses to be omitted due to significant missing data.

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 ($N = 223$).

The sample in the current study had a close to even ratio of females to males. The sample consisted of 372 male (54.4%) and 307 female (44.9%) participants (note: 5 participants chose not to respond to this question). The majority of the participants were White, non-Hispanic ($N = 525$, 76.8%). The next largest ethnicity groups were Hispanics ($N = 73$, 10.7%) and African American ($N = 40$, 5.8%). The remainder of the sample were Asian or Asian American ($N = 22$, 3.2%), Other ($N = 15$, 2.2%), Native American ($N = 3$, .4%), or those who chose not to respond to this question ($N = 6$, .9%). The participants' mean age was 21.64 years old ($SD = 4.80$). A summary of the demographic statistics are displayed in Table 4.1.

Table 4.1:
Demographic information of participants

Average age, y	21.64
Gender, %	
Female	44.9
Male	54.4
Ethnicity, %	
African American	5.8
Asian, or Asian American	3.2
Hispanic	10.7
Native American	0.4
White, non-Hispanic	76.8
Other or no answer	3.1

Measures Statistics

Cronbach's alpha was calculated for each scale. According to Hair et al. (1998), Cronbach's alpha scores of .70 or higher are deemed acceptable. Results of the Cronbach's alpha test is listed in Table 4.2. Results revealed there were no issues of internal consistency with any measure (Price Fairness = .865, Perceived Value = .828, Purchase Intention = .757).

Table 4.2:
Cronbach's alpha scores

Table	Cronbach's Alpha
Price Fairness	.865
1. Terms of promoter are fair	
2. Pricing procedure is fair	
3. Involvement in price is fair	
Perceived Value ^a	.825
4. Quality	
5. Emotional Response	
6. Monetary Price	
7. Reputation	
8. Behavioral Price	
Purchase Intentions	.757
9. First choice for my dollar	
10. Attend in future	
11. Use method again	

^a All measures are mean scores.

Note: All Cronbach's Alpha scores acceptable (values > .70).

Multivariate Analysis of Variance

To test for the differences between groups, multivariate analysis of variance (MANOVA) was used. The fixed factor was a grouping variable to determine the different groups. The fixed factor was labeled as: 1 = NYOP, 2 = PWYW, and 3 = Fixed (control). The dependent variables used in this analysis were mean scores from the scale items previously mentioned (price fairness, perceived value, willingness-to-pay, and purchase intentions). The statistical software used for the analysis was SPSS 19. Using the multivariate general linear model function, the MANOVA was used, requesting outputs for descriptive statistics and estimates of effect size. To determine if there was a significant multivariate effect, Wilks' lambda was analyzed. The analysis revealed there

was indeed a significant multivariate effect, Wilks' $\lambda = .877$, $F(8, 1354) = 11.477$, $p = .000$. Due to this significant effect, the univariate statistics were analyzed. A discussion of these statistics is located in the hypothesis testing section below. In addition, results are shown in Table 4.3.

Table 4.3:
MANOVA for participatory pricing

Dependent Variable	<i>df</i>	F	sig.	Partial η^2
Price Fairness	2	4.695	.009	.014
Perceived Value	2	11.631	.000	.033
Willingness-to-pay	2	18.355	.000	.051
Purchase Intentions	2	2.135	.119	.006
Error	680			

Analysis of Variance

To test for the differences between groups based on the final price the participant paid, analysis of variance (ANOVA) was used. The fixed factor was a grouping variable to determine the different groups. The fixed factor was labeled as: 1 = NYOP, 2 = PWYW, and 3 = Fixed (control). The dependent variable used in this analysis was the means scores for the final price paid (i.e. the final accepted bid in NYOP, the offer in PWYW, or the selected price in the control group). The statistical software used for the analysis was SPSS 19. Using the univariate general linear model function, the ANOVA

was used, requesting outputs for descriptive statistics and estimates of effect size.

Results revealed a significant difference between groups, $F(2, 650) = 5.904$, $p = .003$, partial $\eta^2 = .018$. Results of ANOVA are shown in Table 4.4.

Table 4.4:
ANOVA for final price paid

Dependent Variable	<i>df</i>	F	sig.	r ²
Group	2	5.904	.003	.018
Error	650			

Hypothesis Testing

To test each hypothesis, MANOVA and ANOVA was used. In chapter II, five hypotheses were introduced. The outcome of each hypothesis is presented in Table 4.5.

Table 4.5:
Outcome of hypotheses

Hypothesis	Summary	Statistical Analysis	Outcome	Hypothesis Acceptance
1	Price fairness evaluations will be significantly different between experimental groups.	MANOVA	Fixed higher than NYOP. No difference between PWYW & Fixed	Accepted
2	Perceived value evaluations will be significantly different between experimental groups.	MANOVA	PWYW & Fixed higher than NYOP. No difference between PWYW & Fixed	Accepted
3	Willingness-to-pay evaluations will be significantly different between experimental groups.	MANOVA	NYOP higher than PWYW & Fixed. No difference between PWYW & Fixed	Accepted
4	Purchase intention evaluations will be significantly different between experimental groups.	MANOVA	No differences	Rejected
5	Final price paid will be significantly different between experimental groups.	ANOVA	PWYW & Fixed higher than NYOP. No difference between PWYW & Fixed	Accepted

Hypothesis 1 states that price fairness evaluations will be significantly different between experimental groups. 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. The Duncan post hoc test revealed fixed price (control) ($M = 5.564, SD = 1.018$) had mean scores significantly higher than the NYOP treatment ($M = 5.188, SD = 1.435$), and that PWYW ($M = 5.43, SD = 1.451$) was not significantly different than NYOP or fixed price. This suggests that the NYOP mechanism was not able to evoke higher price fairness evaluations than the traditional fixed price treatment. In addition, the PWYW treatment is not any more effective at evoking positive price fairness evaluations than the traditional method. However, the two participatory pricing mechanisms differed; PWYW was able elude higher price fairness evaluations than the NYOP treatment.

Hypothesis 2 states that perceived value evaluations will be significantly different between experimental groups. 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. The Duncan post hoc test revealed PWYW ($M = 5.401, SD = .895$) and fixed price (control) ($M = 5.239, SD = .836$) had mean scores significantly higher than the NYOP treatment ($M = 4.981, SD = 1.071$), and that PWYW was not significantly different than fixed price. This suggests that the PWYW mechanism may be better able to at evoking perceived value following a purchase scenario than the NYOP treatment. However, it is important to note that the PWYW mechanism was not able to do this any better than the traditional fixed price mechanism. Just as the PWYW

treatment, the traditional fixed price mechanism was better able to evoke perceived value from a purchase scenario than the NYOP treatment.

Hypothesis 3 states that WTP evaluations will be significantly different between experimental groups. 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. The Duncan post hoc test revealed the NYOP treatment had mean scores significantly higher than the PWYW and fixed price (control), and that PWYW was not significantly different than fixed price. The WTP mean score for the NYOP treatment was 15.63 (\$146.30, $SD = 8.309$), while PWYW was 11.90 (\$109.00, $SD = 6.015$) and Fixed was 12.69 (\$116.90, $SD = 6.195$). 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 the future.

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. This suggests that participants in each group did not differ

significantly in their future purchase behavior intentions (NYOP $M = 4.7488$, $SD = 1.35$; PWYW $M = 4.701$, $SD = 1.388$; Fixed $M = 4.946$, $SD = 1.277$).

Hypothesis 5 states that the final price paid will be significantly different between experimental groups. Results showed that the effects pricing strategies have on actual price paid was significant, $F(2, 650) = 5.904$, $p = .003$, partial $\eta^2 = .018$, accepting hypothesis 5. The Duncan post hoc test reveals PWYW and fixed price (control) groups paid significantly higher than the NYOP treatment participants, and that PWYW was not significantly different than fixed price. The actual 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 participants that are given complete control over the price they pay will pay, as a group average, similar to the traditional fixed price mechanism. Interestingly, these results also suggest that the NYOP group paid, as a group average, significantly less than the PWYW and fixed price group.

CHAPTER V

DISCUSSION

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. In Chapter IV, results of the current study were presented. This chapter discusses these results. The chapter begins with a summary of the results, followed by study implications. The final sections of this chapter addresses study limitations and future research directions.

Summary of Results

The statement of purpose for the current study was presented in Chapter I and suggests this study was developed to better understand the effects participatory pricing strategies have on consumer perceptions and behaviors in a sport event pricing scenario. This study focused its purpose on consumer evaluations of price fairness, perceived value, willingness-to-pay, and purchase intentions.

Hypothesis 1 attempted to determine the affect participatory pricing mechanisms have on price fairness evaluations. This hypothesis was accepted, suggesting the type of pricing mechanism will influence a consumer's perception of price fairness. Specifically, these results found that the traditional fixed price mechanism was able to evoke greater price fairness evaluations than the NYOP mechanism. These results are not in line with current literature regarding procedural justice. For example, procedural justice suggests that when consumers have a say in the final price they pay, they will likely have more

positive price fairness evaluations than if they had no voice (Greenwell et al., 2008; Haws & Bearden, 2006; Kim et al., 2010; Park et al., 2010).

However, hypothesis 1 also revealed that there was no significant difference between the PWYW and fixed price groups when investigating price fairness. Therefore, it can be suggested that while not all participatory pricing strategies increase price fairness perceptions greater than the traditional fixed price methods (i.e. NYOP), giving consumer complete control over the final price they pay (PWYW) could induce price fairness perceptions similar to the fixed price method.

In addition to fixed price revealing significantly high perceptions of price fairness, the PWYW was not significantly higher than the NYOP on this variable. This suggests that when firms are entertaining the idea of implementing participatory pricing strategies in order to increase price fairness perceptions, there is likely no difference between PWYW and NYOP. This is an important finding because this relationship has not been investigated in extant participatory pricing literature.

Hypothesis 2 attempted to determine the affect participatory pricing mechanisms have on perceived value evaluations. The hypothesis was accepted, suggesting the type of pricing mechanism influences perceived value. For instance, the results suggest that the PWYW mechanism is more effective at increasing the perceive value of consumers than the NYOP mechanism, following a ticket purchase scenario. In other words, when consumers are given complete control over the final price they pay for a sport event ticket, they will likely have higher perceptions of value than if they were given partial control. While this relationship has not been investigated in the extant participatory

pricing literature, Greenwell et al. (2008) found that when sport consumers have more of a say in the price setting procedure, they will be more satisfied with the purchase. Therefore, one could argue that positive perceptions could be associated with increased control.

In addition, these results relating to hypothesis 2 suggest that traditional fixed price strategies increase a consumer's perceived value more than NYOP strategies. This suggests the participants in this experiment found less value in the outcome when faced with the NYOP scenario than the fixed price scenario. While this relationship may seem odd, given that fixed price and PWYW (giving complete control to the consumer) do not differ, one may draw from dual entitlement theory to explain this anomalous relationship. Dual entitlement theory is based on the alignment of a firm's costs to consumer prices (Bolton & Alba, 2006). Haws and Bearden (2006) propose that dual entitlement theory argues firms are entitled to a reasonable (fair) profit, while consumers are entitled to a reasonable (fair) price. Applied to the current experiment, dual entitlement theory may suggest that by causing the consumer to bid against the firm (the sport team) may cause them to feel the firm is seeking unreasonable profits. In contrast, the PWYW scenario does not require bidding (i.e. there is no rejection, seeking a higher price paid); instead the firm accepts whatever the participant offers. In other words, by not rejecting bids, the consumers in the PWYW scenario may feel the firm is not seeking unreasonable profits, but truly believe the promotion is to thank the fans.

Furthermore, results suggest that consumer's perceived value is not significantly different following a PWYW or a fixed price mechanism. This suggests that even though

the firm is offering a scenario where the consumer's offer cannot be rejected, they are still not providing a higher value to the consumer. In other words, participants may see the promotion as being a nice gesture towards fans, but it does not change how they feel about the value of the firm's offerings.

Hypothesis 3 attempted to determine the effect participatory pricing mechanisms have on WTP evaluations. This hypothesis was accepted, suggesting the type of pricing mechanism influences a consumer's future WTP. Interestingly, WTP evaluations were higher in the NYOP scenarios than any other mechanism. 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 willingness-to-pay in the future. These results could be explained by extant bidding behavior research. Several researchers investigating bidding behavior of NYOP consumers suggest that consumers will place higher bids using the double-bid method (Bernhardt and Spann, 2010; Cai et al., 2009; Spann et al. 2004). This method was chosen in the current study and may explain why the WTP was higher for the NYOP group participants. For example, Cai et al. (2009) found that when consumers are given a double-bid option, their final price paid is higher than the traditional single-bid design. In addition, Bernhardt and Spann (2010) found that "consumers bid up to higher values when they are allowed to bid repeatedly" (p. 233). Spann et al. (2004) echoed this idea when they found a single bid may reduce the seller's revenue by causing the consumer to search elsewhere for the good or service. Therefore, consumer may be willing to pay more if they are allowed to bid strategically, rather than selection (fixed price) or

automatically accepted offers (PWYW). This may also explain why the current results found that the PWYW and fixed price groups did not significantly differ in their WTP.

Hypothesis 4 attempted to determine the effect participatory pricing mechanisms have on purchase intention evaluations. This hypothesis was rejected, suggesting that the pricing mechanism does not change consumers' future intentions. These findings are not in line with the extant participatory pricing literature. For example, Kim et al. (2009) found that using PWYW pricing mechanisms has increased consumer purchase intentions. Likewise, according to Chandran and Morwitz (2005), consumers that participate in the price setting process feel they have more control over the price, leading to higher intent to purchase the good or service. Furthermore, McDonald and Stavros (2007) found that consumers are more likely to repurchase if their contributions are being recognized by the firm. Finally, researchers from multiple disciplines found that when consumers have a say in the price, they will like have positive price perceptions, and in turn, have increased purchase intentions (Greenwell et al., 2008; Haws & Bearden, 2006; Kim et al., 2010; Park et al., 2010). Due to this rejection, this relationship may need to be examined more in future research.

Hypothesis 5 attempted to determine the effect participatory pricing mechanisms have on the amount the participant will actually pay at the end of the pricing scenario. This hypothesis was accepted, suggesting that the pricing mechanism will influence how much the consumer pays at the end of the ticket purchase. For example, both PWYW and fixed price groups paid more (on average) than the NYOP group.

Most interesting to the current study, PWYW and the traditional fixed price group did not differ significantly in the average price paid at the end of the ticket purchase scenario. In other words, the PWYW pricing mechanism did not induce significantly more or less average prices than the fixed price mechanism. This indicates that the hypothetical team in this experiment would receive the same average price per patron in the PWYW and fixed price scenario. This suggests that sport teams seeking an innovative promotional pricing mechanism that positively affects consumers' perceived value, without reducing the average price paid per patron, should consider PWYW pricing. These results fall in line with the extant PWYW pricing cases. For example, in Kim et al.'s (2009) three studies of PWYW pricing implementation, they found that in all three scenarios consumers "provided with a reference price paid 104% of the regular prices to the seller" (Kim et al., 2009, p. 53). Kim et al. (2010) also found that PWYW can increase firm profits. In the sport industry, Mansfield Town Club implemented PWYW pricing for one soccer event. According to the team, for the night of the promotion, the gate revenue was equal if not greater than the average game (F.C. Business, 2010).

While the prices paid in the PWYW group were not significantly different than the fixed price group, it is important to note that the distribution of offers in the PWYW is positively skewed while the fixed price selections were negatively skewed. For example, the PWYW mean score was \$99.83 ($SD = 62.008$) with skewness value of 2.178. According to Hair et al. (1998), this indicates that there are few values that are large. In addition, Hair et al. (1998) suggest that skewness values greater than 1 indicate

a substantial skewness. On the other hand, the fixed price mean score was \$101.71 (SD = 27.636) with a skewness value of -.788. According to Hair et al. (1998), this indicates that there are few values that are small. These results might suggest that while the average price paid is not significantly different between the PWYW and fixed price a group, the PWYW group has many offers below the normally distributed mean. In other words, PWYW may have only a few participants the offer large sums while many offer small amounts. This could be explained by controlling for loyalty and should be investigated more in future studies.

One of the concerns related to the amount paid in the PWYW scenario is the ability for the consumer to pay nothing at all for the good or service. In the current study, results revealed that only 1.2% of participants paid nothing at all. This result is similar to Kim et al.'s (2009) finding. Kim et al. (2009) found that consumers in each of the three studies paid significantly greater than zero, including “only a few customers paying very low prices and that none decided to pay zero in the three studies” (p. 51). Likewise, when Radiohead offered their new album, *In Rainbows*, to consumers online using PWYW, the average price per album was only \$2.26. However, the band claims they made more on the PWYW promotion than if they sold it at the normal fixed-price (Raju & Zhang, 2010).

Implications

The purpose of the current study is to better understand the effects participatory pricing strategies have on consumer perceptions and behaviors. The current findings reveal several implications for sport marketing practitioners. For example, the current

study found that participatory pricing influences consumer perception and the final prices they pay. Participatory pricing strategies are mechanisms that allow consumers to have a say in the final price they pay. In other words, the firm gives the consumer a voice (Park et al., 2010). Participatory pricing mechanisms used in the current study include Name-Your-Own-Price (NYOP) and Pay-What-You-Want (PWYW). Therefore, the first implication of this study suggests that if sport event promoters wish to modify consumer's perceptions of the event, they should consider participatory pricing strategies. More details into this effect are covered henceforth.

Another implication of the current study deals with the differences between the PWYW strategy and the traditional fixed price strategy. The implementation of participatory pricing, specifically PWYW mechanisms, have been found to be successful in scenarios where there is excess supply (low demand) and low marginal costs (Kim et al., 2010). It has been suggested that sporting events have a marginal cost close to zero, until the facility is full (Alexander, 2001; Leeds & Von Allmen, 2011). Therefore, it is argued that in a sport event scenario where there is excess supply (low attendance), participatory pricing strategies may be successful. To measure this success, the current study looked at several variables (price fairness, perceived value, willingness-to-pay, and final price paid) to determine the difference between the traditional fixed price strategy (i.e. the consumer picks a seat and pays the retail price) and a promotional strategy that allows the consumer to have complete control over the final price paid (i.e. PWYW). Results suggested that consumer experience these two scenarios did not differ from one another as it relates to perceptions (price fairness and perceived value), evaluations

(willingness-to-pay), and behavior (final price paid). This suggests that if firms attempt wish to implement a pricing promotion to increase attendance, but wish to maintain the value of the ticket in the minds of the consumers, PWYW pricing may be a viable option. Furthermore, these results suggest that firms may receive a final average group price similar to if there was no promotional strategy implemented at all. These finding are similar to scenarios where PWYW was implemented (Kim et al.,2009; Mansfield Town Club, UK).

When applying prospect theory, one can argue consumers make decisions based on subjective realities. In other words, when an individual is faced with a decision, they compare options based on perceptions of losses and gains from the outcome of the choices at hand. Furthermore, prospect theory suggests that consumer's weight perceived losses greater than gains (Tversky & Kahneman 1991). Some would argue that marketers should be concerned with negative consumer perceptions rather than the potential positive perceptions resulting from promotional pricing. This is of concern to the current study because NYOP yielded lower consumer perceptions for all variables except willingness-to-pay. By apply prospect theory's value function, the results of this study would suggest NYOP may create lower perceptions of price fairness and perceived value. This may be seen as a loss to consumers, which would in turn loom larger than if the potential benefits of increase willingness-to-pay values.

This non difference between PWYW and fixed price can also be examined when investigating the use of participatory pricing strategies and price sensitive consumers. Promotional pricing strategies, such as NYOP and PWYW, attracts consumers that make

their decisions primarily based on price; price sensitive consumers (Petrick, 2005). However, sport organizations may be weary of attracting this consumer because if they deem they do not receive a gain from the transaction (the lowest price possible), they may perceive the outcome as a loss. As previously discussed, prospect theory suggests losses weight larger than gains. Therefore, while price sensitive consumers are drawn to promotional pricing strategies, if the firm is not able to provide a gain for the consumer, they will likely have issues gaining discretionary spending from that group in the future.

Another implication of the current study focuses on the relationship between the traditional fixed price strategy and a participatory pricing strategy where the firm still has a say in the final price; NYOP. In the NYOP strategy consumers are asked to participate in a reverse pricing tactic (bidding against the team, not another consumer). Here the consumer is asked to place a bid, and if the bid is above a secret minimum threshold, the firm accepts the bid and the consumer received the good or service. The results revealed that the traditional fixed price strategy was more effective at inducing consumer perceptions (price fairness and perceived value) and behaviors (final prices paid) than the NYOP strategy. However, the NYOP mechanism in the current study led to higher willingness-to-pay values than the traditional fixed price strategy. This would indicate that while consumers did not perceive the price to be fairer and had a lower perceived value after the purchase, as well as a lower ultimate price paid, the NYOP mechanism was still able to lead consumers to increase the amount they would be willing to pay. In other words, if teams are seeking to raise a consumer's willingness-to-pay amount for future purchases, they may consider NYOP mechanisms. However, this

implication should be taken with caution; NYOP was less affective in altering the consumer's mindset regarding fairness and value.

A further implication regarding the results of this study relate to the relationship between PWYW and NYOP mechanisms. The current study is the first to examine the differences in participatory pricing strategies and their effects on consumer perceptions. In other words, there is a paucity of research investigating the outcomes of NYOP versus PWYW. The findings of the current study suggest PWYW is more effective at increasing the consumers perceived value as well as the final price they pay. This may indicate that consumers may consider value when they participate in the price setting process. In other words, in the PWYW scenario, consumers are given complete control, while the NYOP consumers are giving partial control (bids can be rejected by the team). Therefore, in the current study, the more control the participant had, the higher value perceptions, and the higher the price paid. In short, when teams give consumers complete control, they may be able to lead the consumer to focus more on perceived value, which could lead to greater price paid per patron. However, this statement should be taken with caution; the results also revealed the prices paid in the PWYW scenario to be positively skewed.

According to the theory of social relationships, consumers may evaluate their actions relative to their social peers (Kim et al., 2009). This is important for the next implication of the current study. Results suggest that the PWYW strategy influence consumers to pay similar to those engaging in the traditional pricing strategy, while both strategies prompt greater average price paid than the NYOP strategy. In other words,

PWYW and fixed price strategies are able to receive greater average prices paid per patron than NYOP. In addition, results suggest that while the PWYW data is positively skewed (there are relatively few large prices), only 1.2% of participants paid nothing in this scenario. Therefore, an implication of this study is that consumers bid in a way where they can get a discounted price, but still give the firm a reasonable price for the good. By applying dual entitlement theory (Bolton & Alba, 2006; Haws & Bearden, 2006), one could deduce that when consumers have complete control over the price they pay, they will still pay what they feel is a fair price for the cost the firm incurs. In other words, if a team is looking to implement a promotional pricing strategy, and they are fearful of fans paying unreasonable prices, the current study suggests otherwise when implementing PWYW pricing.

The last potential implication of this study is related to price fairness. The results of the current study suggest that the NYOP mechanism does not influence price fairness perceptions more than traditional fixed price strategies. While hypothesis 1 was accepted, there was a significant difference between groups, this difference is not supported by the extant literature related to procedural justice. Procedural justice suggests that consumers will deem the price with positive levels of price fairness if they have a say in the final price. However, while the means scores NYOP being significantly lower than fixed prices, the mean scores for the NYOP strategy was significantly lower than the PWYW strategy. Therefore, while procedural justice may not explain the difference between NYOP and traditional fixed price strategies, it would explain the difference between NYOP and PWYW. For example, in PWYW strategies

the consumer is given complete control, while the NYOP only gives partial control. Procedural justice would argue that by giving consumers complete control rather than partial control, firms are able to evoke positive price fairness perceptions. In short, when firms wish to use participatory pricing strategies, and which to maintain price fairness perceptions, they should consider using PWYW pricing.

Limitations

The greatest limitation to the current study is the use of a convenience sample. Instead of using probability sampling (i.e. randomized sampling), the current study used nonprobability sampling. According to Andrew, Pedersen, and McEvoy (2011), “one weakness of convenience samples is that they may not be representative of the target population” (p. 49). Therefore, the ideal sampling technique for the current study would have been probability sampling of a ticket purchasing population. For example, since the population under investigation is sport ticket purchasers, a more effective method of probability sampling would have been random sampling. According to Andrew et al. (2011), random samples give “every member of the population an equal probability of being selected” (p. 48). This would ensure a sample more representative of the target population. Therefore, readers should use caution when generalizing the current study’s findings to the target population. According to Peterson (2001), studies that use student populations should be replicated with nonstudent subjects. Therefore, future studies should attempt to replicate these results with a nonstudent sample.

Another limitation to the current study is that it is contextually limited. The current study was assessing an online purchase scenario where the participants were

asked to participate in purchasing two tickets to a Houston Texans football game.

Therefore, the findings from the current study should not be generalized. It is important for future research to examine the current variables in a different sport event ticketing scenario. Future studies should investigate the role price fairness, perceived value, purchase intentions, and willingness-to-pay play in the implementation participatory pricing strategies outside of American professional football using an actual ticket purchase setting.

In the experiment in the current study, the participants were told that they were to buy tickets for a Houston Texans week-3 game. The participants were not told who the opponent was for this game. This is a potential limitation due to the value many consumer place on the opponents of a sporting event. For example, Rascher et al. (2007) found that demand changes for sporting events based on many factors. In their study of variable ticket pricing, they found that teams will like change their ticket price based on the change in demand, which fluctuates with individual game characteristics. One of the characteristics that influence demand, and subsequently prices at sporting events is the quality of the opponent. In other words, fans will pay more when the team is playing a popular or successful team. Therefore, because the current experiment did not indicate the opponent, the results could be limited.

Another limitation based on the experimental design relates to the intentions of the participants. For example, the participants may not be buying something they want to buy. In other words, participants may not actually want to purchase a ticket to a Houston

Texans game, or even a professional football game. Therefore, the results may be limited due to participants' potential lack of desire to purchase tickets.

Finally, a potential limitation to the current study is its use of extra credit. Many Participants were participating in the experiment so they may in return receive extra credit for an undergraduate course they are enrolled in. This could cause issues with the reliability of the data. In other words, participants may have rushed through the study in order to receive the extra credit. Likewise, their responses may not actually be an indication of their true perceptions and behaviors.

Future Directions

There are several areas of potential research pertaining to participatory pricing in sport events. For example, it would be interesting to see the perceptions and bidding behavior of consumers in a sport event ticketing scenario where the sport organization is a nonprofit entity. A unique example of this is occurring with Panera Bread restaurants in North America. Panera Bread uses PWYW pricing in select restaurants and gives all their profits in these restaurants to non-profit charities (N Boodhoo, 2012). Therefore, it would be interesting to see if consumers are willing to pay more or purchase more in the future when the profits go toward a charitable cause (i.e. cause-related sporting event, non-profit sponsors race, etc.). It may be likely consumers are drawing on altruistic feelings, and could be explained by the goodwill effect. The goodwill effect has been investigated in sport sponsorship (e.g. Meenaghan, 2001), and found to be a key component in explaining the behavior of sport consumers. For example, how would consumers differ in their perceptions and behaviors if faced with a PWYW strategy

where the profits go to a charitable organization, versus a PWYW strategy where the profits go to a for-profit corporation (i.e. professional sport team)?

Furthermore, it would be interesting to see what role loyalty plays in consumers' bidding behavior. For example, in the current study prices were not significantly different between the fixed price and PWYW treatments. This could suggest that consumers may set reasonable prices in the PWYW scenarios. However, when taking a closer look at the distribution of the prices in the PWYW treatment ($M = \$99.83$, $SD = 62.008$), the data seems to be positively skewed. According to Hair et al. (1998), this indicates that there are few values that are large. On the other hand, the fixed price was only slightly negatively skewed ($M = \$101.71$, $SD = 27.636$). According to Hair et al. (1998), this indicates that there are few values that are small. These results might suggest PWYW may have only a few participants the offer large sums while many offer small amounts. According to Kim et al. (2009) and Kim et al. (2010), consumers are more likely to revisit the establishment following a participatory pricing experience, as well as pay more for the good or service. Based on the findings in the current study, and the findings in other PWYW studies (Kim et al. 2009, Kim et al. 2010), future research could investigate the antecedent relationship the consumer has with the firm. Would the consumer's loyalty influence bidding behavior? Would it effect satisfaction with the purchase process? Would it influence perceptions of value differently than non-loyal purchasers?

Finally, yield management has been applied to practices in the tourism industry. Perdue (2002) suggested that there are key criteria for yield management to be

successful. First, yield management needs “a time-perishable, relatively fixed capacity” (Perdue, 2002, p. 16). This is applicable to the sport event industry; events are perishable, once the event has occurred it cannot be consumed again. It also has a fixed capacity to do it constraints on space. In other words, a stadium can only accommodate a finite number of fans. Second, yield management requires a setting where there is “cyclical or fluctuating demand” (Perdue, 2002, p. 16). According to Rascher et al. (2007), demand for sporting events fluctuates based on characteristics of the game. Therefore, sport events meet this key criterion. Third, yield management requires “multiple market segments that have difference purchase processes and elasticities” (Perdue, 2002, p. 16). Price tiers at sporting events often meet the needs and wants of various consumer segments with varying spending power. Fourth, yield management requires “a combination of low marginal sales costs and high fixed costs for capacity” (Perdue, 2002, p. 16). It has been suggested that sport events also have a low marginal cost until the facility is full (Alexander, 2001; Leeds & Von Allmen, 2011). Finally, yield management requires “a ‘price structure’ whereby different market segments pay different prices for essentially the same service product consumed at essentially the same time” (Perdue, 2002, p. 16). Sport events fulfill this requirement with their implementation of ticket price tiers. In addition, sport event fans essentially consumer the same product (game) at the same time. However, some may argue their product

changes based on the experience of the fan. Due to the compatibility of yield management and sport events, it would be interesting to see how this management strategy would work for price setting. For example, could sport organizations implement a yield management system that includes innovative pricing strategies currently being used in the sport industry (i.e. participatory pricing, dynamic pricing, variable ticket pricing). In other words, what is the best way for an organization to assess demand, pick a specific time period and target segment, then set their pricing strategy according to those characteristics; increasing price as demand increase? This would include discussions of price premiums. For example, research may seek to determine if yield management is an effective way to raise or lower ticket prices based on demand. Rascher et al. (2007) attempted to investigate how variable ticket pricing can measure demand based on price changes. However, the implementation of yield management in the sport marketing literature is scarce.

CHAPTER VI

CONCLUSION

This study is important because it is the first to investigate participatory pricing in the sport industry. Due to the current use of the mechanism in sport and entertainment events, there is a gap in the literature that this study has begun to address. The findings suggest that participatory pricing strategies influence consumer perceptions (i.e. price fairness and perceived value) and behaviors (purchase intentions and willingness-to-pay). Specifically, the current study suggests that PWYW is able to increase consumer perceived value and final price paid more than the NYOP. Conversely, NYOP is able to influence the consumer willingness-to-pay more than PWYW. Finally, PWYW and traditional fixed price strategies did not significantly differ on any dependent variable in this study. This suggests that if teams wish to implement a promotional pricing strategy that does not negatively affect their perceptions of value for the ticket, while giving control to the consumer, participatory pricing may be an option. This option would be most successful for sport marketers who have an excess supply of inventory (tickets) and a low marginal cost (events). This study helps future research investigating participatory pricing mechanisms in sport by providing a foundational exploratory base in which to launch further inquiries.

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APPENDIX A
INFORMATION PAGE

You have been selected to participate in a study examining the perceptions of pricing strategies used in sport event ticketing.

If you agree to participate in this study, you will be asked to answer various questions on your perceptions pricing strategies for sport event tickets. The questionnaire will take approximately ten (10) to fifteen (15) minutes to complete. There are minimal risks associated with this study (none foreseeable). Although there may not be tangible compensation for your participation in this study, the benefits of participating include the opportunity to critically reflect upon the use pricing strategies for sport event tickets.

Participation in this study is completely voluntary your identity will remain anonymous. Your decision to participate will not affect your current or future relations with Texas A&M University. If you decide to participate, you may refuse to answer any of the questions asked. You may also withdraw from the study at anytime without damaging your relations with Texas A&M University.

For additional questions or concerns please contact:

Jason Reese
254-295-5514
jreese@umhb.edu

This research study has been reviewed by the Human Subjects' Protection Program and/or the Institutional Review Board at Texas A&M University. For research-related problems or questions regarding your rights as a research participant, you can contact these offices at (979)458-4067 or irb@tamu.edu.

Before you can continue onto the study, please be sure you have read and understood the potential risks and benefits for your participation, as well as your rights as a potential participant. In addition, before you can participant in the study, please acknowledge you are 18 years old, or older.

☐

By checking the box I am acknowledging the potential risks and benefits of participation, as well as my rights. In addition, I confirm that I am 18 years old, or older.

APPENDIX B
QUESTIONNAIRE

Price Fairness:

After reviewing these scenarios, please answer the following statements. Before you answer, think about the purchase experience you just had.

- 1) The terms of this event promoter are fair.
- 2) The procedure of buying these tickets from the event promoter is fair.
- 3) My involvement in setting the price caused me to feel the price I received was fair.

Perceived Value:

After reviewing these scenarios, please answer the following statements. Before you answer, think about the purchase experience you just had.

Quality:

- 4) The purchase was of outstanding quality
- 5) The purchase was very reliable
- 6) The purchase was very dependable
- 7) The purchase was very consistent

Emotional Response

- 8) The purchase made me feel good
- 9) The purchase gave me pleasure
- 10) The purchase gave me a sense of joy
- 11) The purchase makes me feel delighted

12) The purchase gave me happiness

Monetary Price

13) The ticket was a good buy

14) The ticket is worth the money

15) The ticket is fairly priced

16) The ticket is reasonably priced

17) The ticket is economical

18) The ticket appears to be a good bargain

Reputation

19) The team has a good reputation

20) The team is well respected

21) The team is well thought of

22) The team has status

23) The team is reputable

Behavioral Response

24) The ticket was an easy buy

25) The ticket required little energy to purchase

26) The ticket was easy to shop for

27) The ticket required little effort to buy

28) The ticket was easily bought

Willingness-to-Pay

We wish to know how much sports fans value their tickets. One way to find out the value of things, like a sport event ticket, is to ask what is the most people would pay for it. Before you answer, think about the purchase experience you just had. What is the most you would pay for these event tickets?

29) Please select the **maximum amounts** that you are sure you would be prepared to pay.

- a. \$0
- b. \$10
- c. \$20
- d. ...Increments of \$10 until....
- e. Over \$360

Purchase Intentions:

After reviewing these scenarios, please answer the following statements. Before you answer, think about the purchase experience you just had.

- 30) I consider these types of events as my first choice for my entertainment dollar.
- 31) I will likely attend more events of this kind in the next few years.
- 32) There is a good chance I will buy tickets using a method similar to the method I encountered (if available)

Demographics:

Please select the most appropriate answer to the following questions:

33) What best describes your age?

34) What best describes your gender?

a. Female

b. Male

35) What best describes your ethnicity?

a. African American

b. Asian or Asian American

c. Hispanic

d. Native American

e. White, non-Hispanic

f. Other

(Note: All items in this questionnaire are based on a 7-point Likert scale, unless otherwise noted)