

Running head: CULTURES AND ECONOMICS IN PARTICIPATORY PRICING

The Cultures and Economics in Participatory Pricing – An Exploratory Study of
Restaurants in the US, Germany and Austria

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The Cultures and Economics in Participatory Pricing – An Exploratory Study of
Restaurants in the US and Germany

Introduction

In 2007, when music fans of the band Radiohead went on the official website to buy their new album *In Rainbows*, an offer came up after clicking the “buy” button that most fans had never seen anywhere else before: Pay what you want. Though hard to believe for most when they first saw the letter-string-alternative to the usual number somewhere between the expected \$20 to \$40 US dollars for a music album these days, the buyers’ credit cards were indeed only charged with the amount equivalent to the self-determined price. Prices paid for the music album reached from rather cheap bets that got the music download for nothing but a click, to benevolent patrons who decided to set their own price point at £99.99 British pounds (approximately \$160 US dollars) for the creative commodity.

The valuation of the album thus was clearly a subjective encounter with the price. Was it that some people really valued the album at \$160? Or did they see it as an act of charitable giving, supporting their band, irrespective of any relation between price and value? More importantly, what is price? In the widest sense, it can be defined as a numeric figure put onto commodities, services and goods that is supposed to indicate value to whoever is interested in acquiring those commodities, services or goods. It makes things comparable, and allows for people to exchange monetary currency in lieu of physical, emotional or service goods and products that they could otherwise use to engage in what is commonly referred to as an exchange on the market.

Price is crucial in traditional economic conceptions of markets and exchange. Determined by the seller beforehand, the price provides the framework for economic interactions and structures how people conceive of value and market exchange. However, what happens if the seller leaves the pricing decision open to the buyer, and moreover, allows the buyer to deterministically participate in finding a valid and final price for an economic exchange, as in the case of Radiohead’s music album? Such a situation involves the non-traditional economic pricing model of Pay-What-You-Want (PWYW). PWYW gives buyers full control to set their own prices for a product or service. Sellers who offer products or services under PWYW conditions cannot reject but have to accept purchases for any price above or equal to zero (Kim, Natter, & Spann, 2008).

Very little academic attention has been given to PWYW and participatory pricing. PWYW and participatory pricing models have been studied to some extent in Germany, but no research exists that relates to participatory pricing in the US. This

paper verifies and extends the still rudimentary descriptions and existing theoretical models of PWYW and its features as a participatory pricing model. Moreover, following Kim et al.'s (2008) call for further research and a cultural analysis of participatory pricing, the present paper attempts to close this gap in the literature by tapping into the meanings, motivations and cultural practices surrounding PWYW and participatory pricing.

After a brief definition and theoretical conceptualization of PWYW and participatory pricing models based on secondary and literature research, a brief review of previous research on participatory pricing and related practices creates the foundation for a comprehensive analysis. Subsequently, participatory pricing is discussed against the backdrop of cultural, sociological and traditional economic theories to form the conceptual framework for the empiric analysis of case studies from the restaurant industry in the US and Germany. Following the research questions and the methodology, the results of secondary data analysis, qualitative interviews and participant observation are discussed in light of the conceptual framework before the conclusion provides closing remarks.

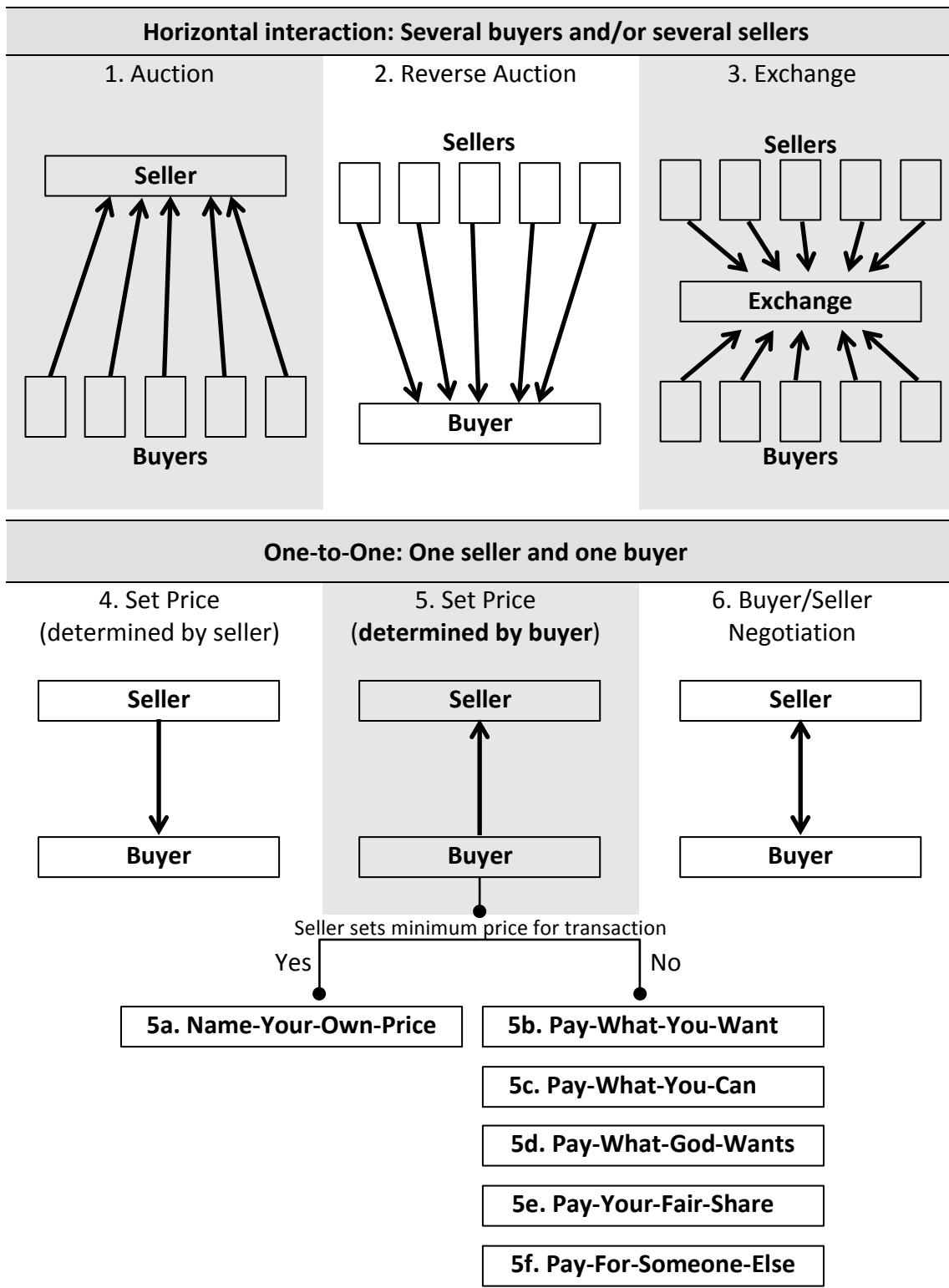
Theoretical Framework

Pay-What-You-Want: A participatory pricing mechanism

Pay-What-You-Want (PWYW) is a participatory pricing mechanism characterized by absolute consumer control over prices. Transaction prices for goods and services offered under PWYW conditions are entirely determined by the buyer. The seller cannot reject any price offered by the buyer (Kim et al., 2008). Prices for PWYW transactions can vary from zero to infinite. While PWYW may increase the buyers' intent to purchase, sellers face the risk of buyers abusing their control and pay nothing at all or a price below the seller's costs.

PWYW can be classified as a participatory pricing mechanism that requires the buyer to participate in the price determination. Without the buyer's participation, the transaction is not possible. Moreover, the seller grants to the buyer the full responsibility about the final price and outsources the pricing decision. Following Kim et al. (2008), this paper's classification of participatory pricing mechanisms is based on the market making mechanisms by Dolan and Moon (2000), who propose three categories of pricing and buyer-seller-interactions that create a market for exchange.

Figure 1: Comparative classification of traditional and participatory pricing mechanisms



Notes: Chart partly based on research by Kim et al., 2008, p. 6 & p. 35.

Dolan and Moon (2000) differentiate between a) set price mechanisms, which feature passive buyers who have no role in setting the prices pre-determined by the seller, b) the buyer/seller negotiated price mechanism characterized by price flexibility and some

degree of buyer participation in finding the final price for a transaction or exchange, and c) auctions and exchanges, which involve a high degree of buyer participation and moderately strong control over the final price paid.

These situations can be further classified as horizontal and one-to-one interactions. A horizontal interaction comprises several buyers and/or several sellers. Horizontal interactions with participatory elements to the pricing process include auctions, reverse auctions or an exchange markets (Figure 1). A one-to-one interaction features only one seller and one buyer. It either includes a traditional situation with a non-participatory, set price determined by the seller (Figure 1.4) or one-to-one market interactions with buyer/seller negotiations (Figure 1.6).

The participatory pricing model with the highest control lets the buyer set the price (Figure 1.5). In some cases, the seller has set a minimum price for this type of transaction, such as the minimum price on eBay. The buyer does not know this threshold price, and the transaction will be successful only if the buyer meets or exceeds the threshold price with his or her offer. This is usually referred to as Name-Your-Own-Price (Figure 1.5a). In contrast, if the buyer determines the price and the seller did not set a minimum price for a successful transaction, the pricing mechanism is defined as Pay-What-You-Want or some variant of it, including Pay-What-You-Can, Pay-What-God-Wants, Pay-Your-Fair-Share or Pay-For-Someone-Else (Figure 1.5b-f).

Variants of participative price mechanisms

Based on online research, an analysis of company descriptions and mission statements as well as personal interviews with the owners of various restaurants or gastronomic businesses with a participatory pricing model, a number of variants of the PWYW model were identified. These variants feature seemingly small operational but important and impactful connotational differences and meanings according to how the participatory pricing model is framed by its name and what it actually asks the buyer to do.

Pay-What-You-Can. In contrast to PWYW, Pay-What-You-Can relates more to the customer's economic ability rather than the willingness to pay a certain amount of money. Rather than asking what someone wants to pay, which implies that the pricing decision may be irrespective of the buyer's economic situation, Pay-What-You-Can asks the customer to adjust the pricing point he or she is able to pay according to income and financial situation. This constitutes an important qualitative distinction in relation to the customer's financial ability, which PWYW fails to capture since it leaves the pricing decision open to volition. This may perhaps be more related to a person's character than economic ability. Asking the customer to pay what he or she can thus implies a logic that

subliminally carries a more pronounced empathetic dimension compared to PWYW, which is, however, not to say that customers actually pay what they economically can as it became clear from further research.

Moreover, the Pay-What-You-Can pricing mechanism achieves its innovative character not only by outsourcing the pricing decision, but also by accounting for heterogeneity among consumers. People with smaller budgets are not excluded because the self-determined pricing mechanism allows them to pay whatever they can afford, which may be nothing or something non-monetary, such as voluntary work in the kitchen or on other duties in the restaurant. One specific example of Pay-What-You-Can is the *SAME (So All May Eat) Café* in Denver, Colorado, where customers are asked to pay what they can afford and if they cannot afford to discharge anything of monetary value, they can pay with what they can, such as volunteer work in the kitchen.

In terms of the larger picture, in mid-2003 the *One World Café* in Salt Lake City, UT, began serving meals as a community café under Pay-What-You-Can conditions. As a result of the initiative, a total of 49 restaurants and community cafes in 23 states across the US are currently providing meals, food and drink under Pay-What-You-Can conditions¹. The stated mission of the non-profit organization is to eliminate hunger and reduce food waste in local communities across the US.

Pay-What-God-Wants. Another interesting variant that came up during the research is the pricing model of Pay-What-God-Wants. The 'Just Cooking' diner in North Carolina that first opened in 2012 has introduced yet a different version of a participatory pricing model. After declining revenues in the summer of 2014, the owner introduced her new pricing strategy that asked customers to pay what god wants. The owner of the diner did not respond to an interview request, which is why the analysis is purely based on secondary sources and the diner's Facebook page.

Quite clearly, Pay-What-God-Wants features a more pronounced moral element and a moralizing character in that it outsources the pricing decision not to the customer alone, but to a figure of religious authority that potentially has a strong influence and power over the decisions and actions by people. Especially when the relationship to god (this is in relation to Christian religion since the owner of the diner is Christian) is strong and an essential part of the buyers life, a pricing decision according to what god wants exerts a high amount of pressure on the buyer, potentially more so compared to PWYW or Pay-What-You-Can, depending on the degree to which a person is religious. Moreover, the Pay-What-God-Wants may feature a guilt-inducing element, which

¹ Full list available on www.oneworldeverybodyeats.org/other-community-cafes/

emotionally blackmails buyers and strikes a connection between business and religion. The Roman Catholic Church tends to have an image of traditionally having been appropriated to convince people to pay large sums of money to the church (Steinfels, 2013). In the case of Pay-What-God-Wants, it may not be any intentional taking advantage of religious affinity, but it is important to at least be aware of the moral and connotational implications that this intersection between business and religion illustrates.

Characteristics and examples of participatory pricing

PWYW has proven useful for products with relatively low variable costs since the risk of negative gross margins due to low prices is smaller compared to businesses with higher variable costs. Accordingly, PWYW pricing structures have been adopted for digital music sales and theater shows. In these industries, marginal costs are low, which means that costs for selling additional units after the first one are minimal. For example, once a music album is produced and recorded, selling the album online incurs minimal costs. Under such conditions, PWYW can serve as a powerful promotion tool and sales strategy (Kim et al., 2008). Surprisingly, however, PWYW has also successfully been introduced in restaurants, where marginal costs are rather high. Table 1 shows a comparative assembly of businesses from the restaurant, creative and other industries with the PWYW pricing model either permanently implemented or previously used as a promotional tool.

Previous research

To the best of my knowledge, there is no previous research on PWYW in communication and cultural studies. Some studies in other disciplines have looked at the phenomenon of PWYW. In the marketing literature, Kim et al. (2008) have studied a set of factors and buyer characteristics that influence to various extents the price discharged to sellers under PWYW conditions. In an experimental field study, the authors implemented the PWYW model at one restaurant, one cinema and one delicatessen in Germany in the Frankfurt area. After observing the business for two weeks in the beginning of the study, PWYW was introduced for two weeks at all three businesses and customers were surveyed after paying. The authors created a theoretical frame that models the influence of customers' loyalty, fairness, altruism, price consciousness, income, satisfaction and reference prices on prices paid for the services received.

Table 1: Participatory pricing businesses in the US, Germany/Austria and other countries

	Gastronomy	Creative Industry	Other Industries
Permanent Implementation	USA / other countries		
	<ul style="list-style-type: none"> • Lentils as Anything, Melbourne, AUS • Terrabite, Seattle • Pyngle’s Food Truck, Los Angeles • Better World Café, Highland Park, NJ • Panera, St. Louis (stopped) • One World Café, Salt Lake City, UT • SAME Café, Denver, CO • KarmaKitchen, Berkeley • Just Cookin, Dallas, NC • Mosaic Coffee House, Seattle • Clifton’s Cafeteria, Los Angeles (closed) • City Cafe Bakery, Ontario, Canada • Santorini Grill, New York City (closed) • Spokane, Washington • Made with Love Café, New Orleans • Mother’s Kitchen, across USA • Wednesdays, Santa Clara • Vimala Cooks, Everybody Eats, Chapel Hill, NC • Soul Kitchen, Red Bank, New Jersey 	<ul style="list-style-type: none"> • Coeurage Theatre, L.A. • Cashmusic.org • Aralie.com • Noisetrade.com • Sheeba.ca • HumbleBundle Games • Girl Talk (“Feed the Animals”) • Fulton Theater, Lancaster, PA • The Hub Theatre Company, Boston • Dallas Theater Center, TX • New End Theater, UK • Forum Theatre, MD • The Catastrophic Theatre, TX • AVL Theater, OH • Long Wharf Theatre, CT 	<ul style="list-style-type: none"> • Yoga Circle Downtown, L.A., CA • Yoga Hollywood, CA
	Germany / Austria		
	<ul style="list-style-type: none"> • Kish Restaurant, Frankfurt • Wiener Deewan, Vienna • Weinerei (wine bar), Berlin & Nürnberg • Café Liebling, Munich • NanaCafe, Krems • 	<ul style="list-style-type: none"> • Theater Konstanz 	<ul style="list-style-type: none"> • Zoo Münster • Body Angels, Frankfurt, GER • EvenAdam.de (stopped) • Neck Attack massages, GER • Parkhotel, Ottensheim
Promotional Implementation	USA / other countries		
	<ul style="list-style-type: none"> • Little Bay, London, UK 	<ul style="list-style-type: none"> • Radiohead Album “In Rainbows”, 2007 	<ul style="list-style-type: none"> • Ibis Hotels, Singapore
	Germany / Austria		
	<ul style="list-style-type: none"> • Etrusca Restaurant, Cologne, GER • Unterm Apfelbaum, Fulda, GER 	<ul style="list-style-type: none"> • Theater Augsburg 	<ul style="list-style-type: none"> • Ibis Hotels Germany • Hotel Tannenhof, Sasbachwalden • Drehbuchschule, Berlin (books) • DSC Wanne-Eickel, Herne (sports) • FSV Frankfurt football (sports) • Apollo Optik, (eyewear/glasses)

Kim et al. (2008) found that the prices paid by customers for the different services and products are significantly greater than zero despite the fact that zero was a perfectly viable option to choose for the customers. This is a first challenge to the rational choice model in traditional economic theory since customers apparently do not behave entirely rational in pursue of self-interest and profit maximization (Dolan, 2012; Rittenberg & Tregarthen, 2009). Moreover, Kim et al. (2008) suggest that the prices paid by customers under PWYW conditions depend largely on the buyers' internal reference prices for similar products and the proportion of the profit that the buyer is willing to share with the seller. Put differently, the final price depends partly on the "proportion of how much the buyer is willing to share of his/her (potential) deal profit with the seller" (Kim et al., 2008, p. 28).

Interestingly, the factors of altruism and loyalty turned out to be insignificant in the overall model and thus did not seem to influence the final prices discharged to the sellers. Instead, the findings suggest that the amount of money a customer is willing to pay and share with the seller is primarily associated with the customer's "fairness, satisfaction, price consciousness and income" (p. 28). For the present study, the factors from the model will inform the qualitative inquiry into buyers' and sellers' motivations and practices regarding PWYW and the results will be thematically considered against the backdrop of loyalty, fairness, altruism, price consciousness, income, satisfaction, and reference price to see if some meaningful connections emerge.

Finally, Kim et al. (2008) found that the revenues in the restaurant and the delicatessen increased under PWYW conditions. In fact, the restaurant (*Kish*) actually kept the PWYW model after the end of the study and reported positive results even months afterwards. It currently still operates under the same PWYW conditions. The cinema, on the contrary, experienced a decrease in revenue.

Other studies related to PWYW consider the alternative pricing model in terms of shared social responsibility. In a field experiment, Gneezy, Gneezy, Nelson and Brown (2010) tested how traditional fixed pricing compares to the PWYW pricing model in combination with an act of charitable giving. The authors looked at photo sales at the end of a ride in an amusement park. In some groups, an option to donate half of the price for the photo was offered to the customers. Findings indicate that the combination of charity and PWYW significantly increases revenues generated from photo sales. In the experiment, revenues generated from photo sales under PWYW conditions paired with charity were about 300% higher compared to photo sales under fixed price or PWYW conditions without charity as well as fixed price conditions in combination with charity.

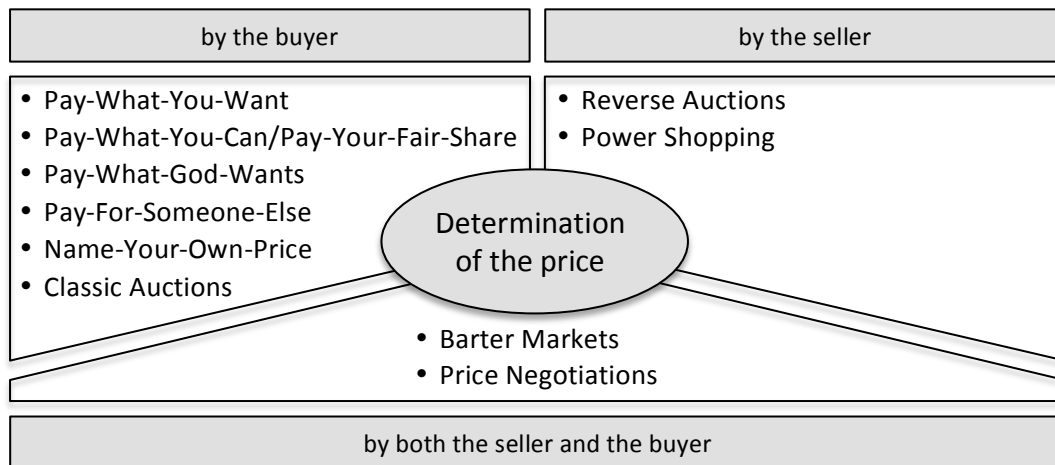
Gneezy et al. (2010) argue that the customized donations customers can make under PWYW-plus-charity-conditions activate a sense of shared social responsibility, which allows customers “to directly express social welfare concerns through the purchasing of material goods” (p. 325). In this sense, the PWYW pricing model functions as a somewhat paradoxical mediating device in that it enables people to have agency and self-determination over prices they pay but at the same time maximizes profits for the company.

In a later study, Gneezy, Gneezy, Riener and Nelson (2012) investigated PWYW pricing and decision making against the backdrop of identity and self-signaling. Based on three field experiments, the authors suggest that when customers are allowed to set their own prices for a product or service, fewer customers actually make the purchase compared to a situation with low fixed prices. Gneezy et al. (2012) further suggest that concerns about identity and self-image are the main drivers of this “opt-out behavior” (p. 1). In particular, the authors argue that rather than taking the risk of feeling emotional distress due to paying a low and potentially unfair price to the seller, customers often choose to abandon the purchase completely.

Relations between seller and buyer

The PWYW pricing model disrupts the conventional relationship between buyers and sellers in a market situation in that the seller does not pre-determine a regulating price for a successful purchase but entirely outsources pricing to the buyer (Figure 2). Traditional purchase situations with fixed prices are governed by market exchange rules and norms, such as the rule that the buyer will usually only get the desired product or service if he or she discharges the price that was pre-determined by the seller unless there is an element to the exchange relationship that involves negotiation and willingness to potentially reduce the price. Whereas price negotiation and bargaining are more common and normal in many Asian cultures (Lee, 2000; Wang, 1995), European and North-American people usually restrict bargaining practices to expensive or unique items, such as automobiles or art pieces.

Figure 2: Buyer-seller-relations in participatory pricing models



Notes: Chart partly based on Kim, Natter and Spann, 2010.

Under PWYW conditions, the buyer has the opportunity to pay any price, including zero. This shifts the relationship between buyer and seller from being governed by traditional market economy norms to being governed by social and interpersonal behavioral norms, which in turn has an impact on the buyer’s pricing decision (Osterhus, 1997). Particularly prevalent in democratic societies, these socially contingent exchange norms are tied to normative forms of distribution, which entail that people naturally pursue an equal allocation and distribution of resources (Elster, 1989; Kim et al., 2008). If a buyer chooses to pay zero for a product or service purchased under PWYW conditions, these social norms are violated, which may lead to social pressures, personal emotional stress and disapproval by peers (Ariely, Bracha, & Meier, 2009; Elster, 1989; Venkatesan, 1966). The latent fear of these potential negative repercussions is the reason for most people to pay prices greater than zero – even though they have the chance to pay zero – which stands in stark contrast to the claims of rational choice theory and profit maximization in traditional economic theory. The benefit of paying zero would have to be higher than the anticipated negative repercussions such as personal emotional stress and social disapproval.

Another reason why people are inclined to pay prices greater than zero may be related to the argument by Kahneman, Knetsch and Thaler (1986) about people prioritizing fairness and equal distribution. Specifically, the authors claim that people tend to choose monetary loss over unequal distribution, which contrasts with economic theories of rational choice and self-interest. Furthermore, choosing to pay prices greater than zero, or greater than the fixed price, may go back to Gneezy et al.’s (2012) argument about identity and self-signaling, which strings a chord with Lynn (1990), who argues that people potentially use price as a tool to manage impressions by others in order not to come across as cheap or poor (see also Kim et al., 2008).

Conceptual Framework

Traditional economic theory

Traditional economic theory makes a number of assumptions about individual decision-making and choices in the marketplace. The economic way of thinking puts scarcity in the center of attention in the study of choices individuals make in the marketplace (Dolan, 2012). Traditional economic theory assumes that in a situation where products are scarce, individuals make choices in particular ways based on a number of factors. Two of the most important factors that influence individual decision making are opportunity cost and the maximization of value for personal benefit (Perloff, 2009).

One assumption entails an assessment of the opportunity costs. Rittenberg and Tregarthen (2009) define opportunity cost as “the value of the best alternative forgone in making any choice” (p. 17). Doing one thing usually eliminates the possibility of doing another thing. Individuals will make choices against the backdrop of the anticipated benefits of alternative choices available at a certain moment. Each problem that has a set of alternatives available to choose from implies foregoing a certain amount of value, whose maximization is the ultimate goal for the individual in traditional economic thinking (Dolan, 2012).

Another assumption is related to the maximization of value for personal benefit. In traditional economic theory, individual choices are based on the goal to maximize the value and personal benefit of an action. Economists assume that the primary objective in individual choices is to maximize the value of transactions and products (Perloff, 2009; Rittenberg & Tregarthen, 2009). Moreover, personal profit and benefit are sought after in line with the own self-interest. Individual consumers try to maximize satisfaction levels when making economic choices (Dolan, 2012).

Rational choice theory

Maximization of personal satisfaction and profit characterize the rational choice theory – a traditional framework for understanding individual economic behavior. Economically rational individuals analyze the balance between cost and benefit to achieve maximum personal benefit and profit (Dolan, 2012). Rationality in economic terms is related to choice patterns – rather than individual choices – that repeatedly and systematically favor the choice for maximum personal profit and behavior that serves self-interest (Perloff, 2009).

The rational choice model of economic behavior is related to the concept of homo economicus in traditional economic theory. The homo economicus, or economic human, seeks to let rationality and a narrow self-interest guide all behavior and

decisions, which are motivated by subjective judgments toward personal benefit (Rittenberg & Tregarthen, 2009). The homo economicus stands in contrast to the homo reciprocans, which sees human behavior as being motivated by collective reciprocity, cooperation, mutual aid and improvement of the immediate surroundings.

From a critical perspective, rational choice theory fails to account for irrational behavior rooted in non-economic thinking and ignores cultural and motivational factors that influence individual choices. Moreover, rational choice theory has been critiqued for implying methodological individualism (Elster, 1989), which assumes the individual actions and behaviors are the sole cause and driver of collectivities and social dynamics. Besides individual actions alone, however, politics, culture and social institutions play a pivotal role in the decision-making processes of individuals and groups.

Another critique came from Pierre Bourdieu, who argues that rational choice theory implies a grave misconception of the ways in which social actors make choices (Bourdieu, 2005). Bourdieu contended that social agents do not base all their decisions on explicit rational and economic factors. Instead, they often follow a more practical, implicit logic. In other words, individuals make decisions in line with their practical sense and “feel for the game” (Bourdieu, 1990, p. 66) rather than in pursue of profit maximization and self-interest.

In terms of alternative economic models that outsource the pricing decision to the consumer, it is interesting to consider models such as PWYW against the backdrop of rational choice model in that PWYW resembles a fundamental challenge to traditional economic and rational choice theory. According to rational choice theory, a consumer would try to maximize the own profit and make decisions in pursue of self-interest. Hence, when provided with the choice of paying any amount of money between zero and infinite for a product, in this case food, traditional economic thinking would lead to the conclusion that the buyer would pay zero. Paying nothing would be the logical action to take according to the rational choice theory of economics because it enables the buyer to retain the maximum amount of money in the own hands, which maximizes own profit and incurs practically no opportunity cost.

Supply and demand determine the price?

Another fundamental idea to the traditional economic logic relates to the assumption that a product’s supply and demand determine the price of that product (Rittenberg & Tregarthen, 2009). Economists assume that the relative levels of supply and demand directly and deterministically influence prices in the marketplace and that a stable price requires equilibrium between supply and demand. Often times, this logic is still applicable and prices of products such as fish emerge from supply and demand in

the market. The fishing industry is a prime example of how decades of severe overfishing has recently led to government interventions to protect natural fish populations (Goldburg & Naylor, 2005). Restrictions on fishing have driven down supplies. Demand, however, has remained stable at high levels since the customers have become used to enjoying freshly caught fish on a daily basis. In short, demand for fish is high whereas supply has gone down due to limiting restrictions on fishing grounds and declining fish populations (Delgado, 2003). The consequence of a decrease in supply with steady levels of demand is an increase in the price for a commodity that has become scarcer than before. In such a case, supply and demand do determine the price.

In other instances, however, the relationship between price and supply and demand is not that apparent. Do supply and demand always determine the price or are there other mediating factors in certain areas of the economy that mitigate traditional economic supply and demand logic? The PWYW structure for businesses embodies a pricing mechanism that does not take into account supply and demand as the only determinant factors for the price of a product. PWYW thus resembles a potential challenge to the traditional economic logic and allows for a reconsideration of rigid, deterministic economic thinking for some niche parts of the economy that do not reflect the causal relation between supply and demand and the price of products, but rather feature a different, consumer-focused mechanism that leaves the pricing decision to the customer.

What is price?

Supply and demand are inherently related to price. To understand the intricacies and meanings around price and value, it is useful to first establish an understanding of what exactly a price is. Traditionally, sellers set prices to make profit from the product that is being sold. The price charged for a product must be greater than the cost of producing it in order not to make a loss. Thus, prices cannot be too low. Prices must not be too high, either, however, because no one would buy the product anymore and revenues would stop coming into the business. After all, the challenge of pricing is to find a balance. A price level ought to be high enough to earn profits and low enough for the majority of customers to buy the product. Generally, the higher the prices, the more revenues are generated per unit sold, but the number of pieces that are sold decreases because less people buy the product (Rittenberg & Tregarthen, 2009).

Traditional economic thinking conceives price through a transactional paradigm that directly relates price to value. Consumers usually equate the price they pay for a product to the value of that product. In other words, product value is expressed through the price that a consumer has to pay for that product. Sellers of a product also set the

price of a product they are selling according to the value they attribute to that product and/or the amount of labor that they put in, which echoes the Marxist notion of the equality between labor put in to produce a produce and price charged for that product.

Price as communication

Price also functions as a form of communication. In economic theory, the price of a product or commodity communicates important information to market participants. Market prices communicate crucially important information to a) consumers about product availability, to producers about consumer preferences and c) to individuals about the relative value of particular kinds of products, knowledge and skills that are sold (Perloff, 2009).

A different approach attributes a signaling function to the price in that prices via the price charged for a product or commodity. In this sense – contrary to the aforementioned logic where supply and demand determined the price – supply and demand actually depend on the price, which arguably helps to prevent surpluses and shortages of certain products. The communicative power of prices in free non-government-controlled price systems manifests in the price's capacity to send signals to buyers and sellers about supply and demand levels. Rising prices may point to increasing demand or decreasing supply. Irrespective of the underlying cause and independent from consumers, price increases communicate to all market participants that supply should also increase or that demand should decrease for prices to go down again (Dolan, 2012).

In this situation, the Austrian theory of catallactics predicts a natural correction of the market in case consumers continue to buy products at the new, higher prices, which in itself communicates that the perceived marginal utility of the product has gone up. This shows that besides potentially being influenced by levels of supply and demand and thus taking a passive role, price also operates and communicates actively in that increases or decreases in price levels signal to the market and its participants that supplies or consumer demand should recede or rise, respectively (Arrow, 1959).

Reconsidering the different functions and operative roles of price in the market in light of alternative pricing models, it is intriguing and relevant to ask what happens if the price is absent. More specifically, alternative pricing models that lack a pre-set price and in fact outsource the pricing decision to the consumer, such as PWYW, potentially entail a reconfiguration of functionality and purpose of price. Such considerations also open up a realm in which price might carry different functions, meanings, purposes and communicative capacities that are in conflict with traditional economic theory and the capitalistic logic that inextricably marries supply and demand with price.

In a market context, economists differentiate between different types of value, including market value, natural value and exchange value, the latter two of which will be considered for the purpose of the paper at hand. On the most basic level, classical economic terminology conceives of value, or use value, as an object, product, or entity's innate capacity to satisfy human needs (Dolan, 2012). Market value is the power of a good or commodity to purchase other goods or commodities in the marketplace at a given time (Perloff, 2009). Whereas market values are usually volatile, natural values are changing only if the essential modes of production, distribution and consumption undergo change. Furthermore, natural values are the values that would persist in an economic vacuum without competition and market pressures (Dolan, 2012). Exchange value is often used synonymously with price. In this sense, price is seen as a commodity or product's power to control money in exchange. The focus of exchange value, or price, is on the command of money that is in the market, whereas the general definition of value relates more to the power of being able to control products and commodities that are in exchange, but not the monetary equivalent thereof (Dolan, 2012; Rittenberg & Tregarthen, 2009).

It is important to note that value and price are inextricably intertwined with the notion of power. Value is power, specifically exchange value or the price of a commodity or product in that they carry information that exerts power of other players in the marketplace and can be used to exert pressure in the market and purchase or sell goods. Moreover, it is useful to consider the Hegelian notion of exchange value that implies the transcendence of a product or good's universal, material existence to assume a socially constructed exchange value of a higher order. This socially contingent exchange value is sometimes a relatively higher one, namely use and possession value, compared to the natural value of the product or good. It is this notion that deconstructs economic life in terms of the underlying social dynamics and their structural influence on value and its perceptions by consuming individuals.

Finally, an important idea to consider is the labor theory of value. Coined by the important thinkers Adam Smith, Karl Marx and David Ricardo, the labor theory of value holds that the economic value of goods and services should equal exactly the amount of labor that workers or producers put in to produce or yield those goods and services (Dolan, 2012). The key tenet of labor theory attempts quantification and embodiment of all labor required to produce or provide a marketable commodity in order to arrive at a theoretical foundation for real prices, or natural prices, of products and goods in the market place (Junankar, 1982; Peach, 1993). While highly influential and important to the works of Marx and others, an important limitation of this theory is that the

contemporary economic landscape features a wide array of products, goods, services and commodities that are extremely hard to quantify in terms of physical labor. It is therefore applicable to the economic life of the 21st century only to a certain extent.

Commodity fetishism

A resourceful Marxian concept related to price and its relation to value, supply and demand in the marketplace is commodity fetishism. In a market situation where goods and commodities are exchanged for money, prices are the indicative devices that overarch transactions and perceptual value (Rubin, 1973). Commodity fetishism conceives of this situation as being dependent on the economic relationship between products and the money paid for these products by consumers. Rather than the social relations that are necessary to provide labor for the production of products, it is the economic interplay between products and money – the latter of which is epitomized by prices charged in the market – that are the central aspect of society. In this sense, commodity fetishism entails the idea that people attribute intrinsic value and objective reality to entities that are merely of abstract, subjective economic value (Morrison, 2006; Rubin, 1973).

Commodity fetishism further implies a fixation on commodities and money in the sense that people make sense of economic business and markets in terms of the costs for the production or the purchasing prices of products (Morrison, 2006; Rubin, 1973). Likewise, supply and demand are also fetishized to the extent that they provide the fundamental basis for people's understanding of the economy and market dynamics. Finally, relating back to the discussion of value, the idea of commodity fetishism also entails that the market value of a product or commodity is what predominantly determines people's thinking and perception and how the price is related to supply and demand rather than the amount of labor that went into the product or service.

Mutualism

Rooted in anarchist economics and having its origins in the ideas and writing of philosopher Pierre-Joseph Proudhon, the notion of mutualism in the context of economics is based on an understanding of value in terms of labor, also referred to as the aforementioned labor theory of value. When selling labor or its product, the good, commodity or product received in exchange should embody or implicate the exact same amount of labor and utility that was necessary to produce the traded entity (Cohen, 1927). In relation to mutualism, the notion of reciprocity and mutual aid as developed by the Russian theorist Peter Kropotkin yields an additional lens for a comprehensive and differentiated consideration of participatory pricing. Besides developing the idea that mutual aid and reciprocity are intrinsic elements of small societies, cultures and

communities, Kropotkin's argument is strongest and most applicable to the present study in its critique of individualism and individualistic culture through the promotion of mutual aid in society (Engelbert, 2012). Whereas these elements are pertinent to participatory pricing models, it is important to note that the anarchic-communist ideas and elements of Kropotkin's theories and thinking are not in line with this paper's conceptualization and approach regarding participatory pricing.

Feminist theory

Besides reciprocity and mutualism, feminist theory also provides an insightful perspective on PWYW and the cultures and economics of participatory pricing. In particular, Gibson-Graham (2002, 2006) is especially informative for the present study. She argues that economic models are not dichotomous or binary, but fall along a spectrum of possibilities. Each business, industry, or economy combines these possibilities differently, so there is no one true capitalism, nor are there "alternatives" per se. PWYW fits soundly into this framework. Though not a mainstream trend in the gastronomic restaurant industry, a fair amount of restaurants employ the model with good success. It may not be completely scalable within current economic ideology, but in line with Gibson-Graham's (2006) framework, it does not have to be – it simply exemplifies another economic possibility. It is important to note how this frees us you from having to describe PWYW as alternative, or as somehow inferior or subordinate to seller-based models.

Research Questions

Based on the above review of literature and the theoretical framework, the following research questions are posed.

- 1) How is the PWYW model used in restaurants in the US and Germany/Austria?
- 2) What are the cultures, meanings and motivations in terms of participatory pricing models in restaurants in the US and Germany?

Methodology

A mixed methods approach was chosen for the present study to capture the maximum amount of information from the available data sources. First, I conducted secondary analysis of experiment and survey data from previous studies on participatory pricing in three German restaurants (Kim et al., 2008). For the most part, the data was used to build a theoretical framework for the present study regarding participatory pricing mechanisms. To guide interview questions and analysis, I used Kim et al.'s (2010) regression model, which quantitatively examines the influence of

customers' loyalty, fairness, altruism, price consciousness, income, satisfaction and reference prices on the price discharged to the seller under PWYW conditions.

Second, semi-structured, qualitative interviews were conducted with the help of a question catalogue (Appendix 1) to get an in-depth understanding of the meanings, practices and motivations around participatory pricing (King, 1999). Including four German and four US American respondents, eight interviews with an average length of 47 minutes were conducted with four female and four male owners or managers of restaurants or food trucks with participatory pricing models. The participating restaurants included the *Kish* restaurant in Frankfurt, Germany, *Panera Bread*, *Der Wiener Deewan* in Vienna, Austria, the *Weinerei* in Nürnberg, Germany, the *Better World Café* in Highland Park, NJ, *NanaCafé* in Krems, Austria, *Pyngle's* food truck in Los Angeles, CA, and *SAME Café* in Denver, CO. Six interviews were held via Skype, one in person and one respondent answered the questions via email. Where applicable, recorded interviews were transcribed and later entered into NVivo software, where thematic coding and analysis was performed. This formed the basis for aggregating thematic nodes and clustering opinions, themes and patterns with minimal overlap for subsequent analysis and theoretical extrapolation (Hammersley & Atkinson, 1983; King & Horrocks, 2010).

Two personal interviews – one of which was answered via email – with one male and one female respondent were held with customers of the *Pyngle's* food truck using a second question catalogue (Appendix 2). The respondents from the customer side were recruited during participant observation, which was used as a complimentary method to the interviews.

Ethnographic participant observation of purchasing and selling under PWYW/Pay-Your-Fair-Share conditions was employed to get immersed and involved in the culture and practice of participatory pricing from a customer's perspective. Participant observations consisted of two days of direct observation and informal interviews with customers of the *Pyngle's* food truck, located near the University of Southern California Campus and near the West Los Angeles Medical Center, respectively, both locations being in Los Angeles, CA. Participant observation served the purpose of tapping into different, potentially conflicting aspects and ambivalence between representations, the social meanings and behaviors regarding participatory pricing (DeWalt, DeWalt, & Wayland, 1998). A moderate type of participant observation was employed to achieve a sound balance between fruitful involvement and necessary distance to the subjects for the researcher to remain objective (Atkinson & Hammersley, 1994; DeWalt et al., 1998). The goal was to get an insider perspective by for example

buying products under PWYW conditions as a researcher, but at the same time maintain the role of the objective and sufficiently detached outsider for the research to be unbiased and neutral.

Results and Discussion

Procedures and meanings of participatory pricing

The various forms of data collection yielded a rich array of results. At *Der Wiener Deewan*, the philosophy around the participatory pricing mechanism of PWYW or “Pay-As-You-Wish” revolves around the amount of food eaten by the customers as well as their satisfaction and financial ability, which sums up to three factors that are communicated to guide the decision of finding the price. In terms of the motivations by restaurant owners, the owners of *Der Wiener Deewan* felt they wanted to outsource the decision of the price to the customers, “who can themselves determine best how much they ate and how much they liked it, and then, in accordance with how much they can afford, pay a price they deem adequate.”

Across the board, restaurant owners reported that the majority of customers is able to find a fair price, which is why overall, the balance is held and the businesses are sustainable. At the *Better World Café* in New Jersey, for example, about 25% of the time people pay more than the suggested price.

The usual procedure in the restaurants and the food truck differs slightly in terms of jargon and terminology. On the one hand, officially non-profit businesses like the *Better World Café* in New Jersey or the *SAME Café* in Denver use the word donation in their spaces. Customers can make donations and in the *Better World Café*, suggested prices are mentioned at the counter. Contrarily, the philosophy and set up at *Pyngle’s* food truck is different. The owner of the food truck said: “I don’t use the word donation because I am not a non-profit organization, and there is no outside funding. I also don’t see it as bartering because I don’t ever push back on my customers.” The same goes for *Der Wiener Deewan*, whose owner also confirmed that they do not associate themselves with any kind of donation-based model. It became clear from the interviews with owners and customers, however, that there is an element to bartering and donations that people relate to when they are trying to digest and understand the complete control over the price they are paying in PWYW or Pay-Your-Fair-Share. Associations and links with familiar concepts such as bartering seem to help many people that are unfamiliar with PWYW and participatory pricing.

Loyalty

Customer loyalty seems to be a crucially important factor for a functioning PWYW model. In general, restaurant owners all reported frequent outliers above and

below the mean, but the overall average price paid under PWYW conditions is stable, which is “based on a strong group of loyal customer who come in several times a week,” as one restaurant owner said. For *Pyngle's* food truck, the loyal customers make up “20-30% of the daily revenue”, which is a significant amount.

On the one hand, these findings echo Kim et al.'s (2008) claims that loyalty plays a role regarding the price discharged to the seller. However, rather than increasing the price discharged to the restaurant, as argued before, the current study's findings do not indicate that loyal customers are more likely to pay higher prices the more often they come. Only in the very beginning, when convinced by the product, three customers reported to have started out with lower prices compared to what they were paying at the time of the interview after having returned several weeks in a row. At some point, they said they continued to pay the same stable price after increasing their pricing point in the beginning after the first or second purchase. After the initial increase, however, the loyal customers' price point remained stable slightly above average.

Another recurrent theme among restaurant owners as well as customers was the notion of self-sustainability. The owners perceived the majority of loyal customers to be conscious about maintaining the restaurant for themselves and contributing their part in order to be able to come back and enjoy the food at these prices. Put differently, the “loyal customers paid the price they think will keep the business going,” as one US restaurant owner explained. This same notion was apparent among the group of observed customers, who confirmed that they were “trying to pay enough to keep the business alive” so they could come back and eat at PWYW prices, which they perceived to be lower than the market standard for similar products.

Community and social impact

At *Der Wiener Dewaan*, the pricing model was a result of the owner's commitment to create an “accessible, inclusive space for community where nobody is excluded based on economic ability or income.” One of the founders, a student at the time when the restaurant was founded, said: “When we opened the restaurant, we wanted ourselves to be able to be our customers.” Hence the inclusive pricing model that does not discriminate against groups with lower incomes or socio-economic status. Moreover, in line with several other restaurants studied during fieldwork, the aspect of community was tied to “helping each other, coming together and creating a group that thinks community”, as one US restaurant manager put it. It became clear that many restaurants not only relied on, but also sought to induce a collective mindset among customers and consumers. “We want our customers to realize that only together we can be what we are and continue to do what we do.”

This clearly relates to Peter Kropotkin's critique of individualism through mutual aid and reciprocity, which appears to be situated also within participatory pricing structures in some instances. By creating opportunities for participation in a space where exclusion and a kind of natural selection based on financial ability is commonplace, PWYW restaurants and participatory pricing embody a strong antipode to individualism and individualistic cultures, which are often situated at the center of capitalist societies. Especially in relation to the cultural specificities in the US with a highly individualistic and self-centered culture, the collectivist features of mutual aid and reciprocity in participatory pricing enlarge the gamut of possibilities and widen the spectrum in the realm of economic cultures.

From the perspective of the sellers, the aspect of community and social impact was strongly related to the difference between PWYW and Pay-What-You-Can. Especially for the restaurants that ask their customers to pay what they can rather than what they want, such as *Panera*, it was specifically about "understanding what you can afford as opposed to understanding what you want to afford". Besides the enabling aspect that allows people with smaller budgets to enjoy the same food as people with normal incomes, the emphasis on this aspect also implies a deeper message. This message is targeted at all customers at a more fundamental level in that the Pay-What-You-Can pricing model is intended to "make people think about their role as a citizen" and if they can afford to pay a little more, they should do so in order to help someone who cannot. It is here where the participatory pricing model's potential for civic engagement and activation surfaces.

In the US, a common motivation for the establishment of a restaurant or food truck with a pricing model with customer price control seems to be hunger and lack of access to healthy food. The majority of restaurant owners voiced their concern with the food situation in their local communities or more generally across the US. An interesting metaphor regarding this situation in the LA area was the "food desert."

"If you look at the availability of fresh and healthy, sustainable food in a neighborhood such as Santa Monica or Beverly Hills, you have a wide variety of options. If you live in a neighborhood over here (USC area), or Downtown Los Angeles, which is the land of the drive-by and the drive-through, and also when you live in those areas where you have to travel large distances to get healthy and fresh sustainable fruits, that's where what I call food deserts are located, where you have to go outside of your sphere, your location just to have access to these types of options."

The *Pyngle's* food truck tries to cover these “food deserts” since they also tend to have populations with weaker average socio-economic status, particularly income, in order to provide access to fresh, healthy and sustainable products. Transportation costs and travel time to get out of the “food deserts” often keep people from making the healthy choice, let alone the fact that fresh, unprocessed food tends to be significantly more expensive than processed convenience or fast-food. Even in supposedly more affluent areas, such as Santa Monica in Los Angeles, there is a “very large homeless population, and so they give me whatever change they have, and clearly I’m losing money on that deal, but otherwise they would not have access at all and it averages out with the flexible pricing model,” according to the owner of the *Pyngle's* food truck. This shows that in some instance, the participatory pricing model literally enables excluded groups to participate in society and regain certain privileges.

In a socio-geographic context, participatory pricing models may be insightful to map neighborhoods and economic access in a spatial sense since the majority of business owners interviewed for this study chose a location where they saw the need to battle the lack of equal access to healthy food. Moreover, participatory pricing businesses may also embody some form of counter culture that exposes a set of larger societal problems such as spatial and economic inequality in transitional neighborhoods as well as economic discrimination in the food industry and questionable allocation of government and private funding to production industries that supply cheap products to the fast-food and processed foods industries.

Finally, an important aspect seemed to be having and creating a group of people who all share a mutual responsibility. A participatory pricing model provides people with tangible ways to collaborate and thus contributes to activating a community. PWYW distributes responsibility. Shared responsibility carries small individual responsibility but collectively empowers individuals to give and receive as well as rethink price, value, labor and market exchange.

Fostering a culture of shared social responsibility in some instances, participatory pricing also seems to imply the elements of mutual help, community impact and reciprocity, which were often attached to the restaurants and their missions and motivations. One restaurant owner emphasized that “everyone is welcome for a meal, and it a little bit like you are helping others if you can and others will help you if you need it, and that’s how we all benefit without much sacrifice.” Challenging the notion that businesses prioritize individual benefits and competition in the market place, participatory pricing resides within a space where reciprocal exchange of resources, labor and services for mutual benefit tend to imbue the *modus operandi*.

Culture

At *Der Wiener Deewan*, an interesting cultural dimension apparently led to the introduction of the alternative pricing model. Originally from Pakistan, one of the founders brought the influence of Pakistani culture. Apparently, in Pakistan, “price is seen as a basis for barter, a starting point for negotiation.” In this case, thus, a different economic and cultural background was the inspiration for the implementation of a participatory alternative pricing model in an Austrian restaurant.

What also emerged from the interviews was a the importance of the place-based culture (Escobar, 2001), which becomes clear when looking at the examples of the *SAME Café* in Denver and *Pyngle’s* food truck in Los Angeles. According to the owners of the *SAME Café*, the culture of Denver has always created outside the box thinking and ingenuity, as it is more progressive than other cities. This is true considering that Denver was the first city to legalize marijuana and Los Angeles is one of the states with the medical marijuana program. There are also a lot of microbreweries and small businesses that implement creative ways to keep the businesses running. In Los Angeles, the locally booming juice culture was also mentioned as an important component for the success of the pricing model.

In terms of national culture, further research would be needed to be able to make claims about potential patterns or dynamics that unfold as a function of US or German culture. However, based on the empirical findings in this study, similar practices seem to exist across cultures in PWYW restaurants, including similar motivations and meanings attached to participatory pricing.

Trust

The notion of trust was another aspect of central importance to the restaurants with participatory pricing models. Trust in and by customers was seen as tightly related to cultural trends over the past years in terms of the rise of the Internet, social media, and more recently, mobile applications such as Uber, CoDriver and Airbnb.

“You’re getting into strangers’ lives, houses, cars, and the way we’ve been interacting over the Internet and technology, that’s the rise of the sharing economy. I don’t know if it’s a cause or a symptom of a social movement towards simply trusting? Or asking... and that’s what I do, I ask my customers to write a price that they would like to give, and I have trust and I have faith in my customers and the goodness of people that they will pay a price that fits within their budgets.”

Trust was a key theme for *Der Wiener Deewan* as well. “We give credit and give back, based on trust, we give them a trust loan and hope that it comes back.” Hence, participatory pricing seems to be a trust-based, personal model for economic exchange that relies on and emerges from mutual faith.

Product, price and value

A number of interesting constructions of value and price emerged from the interviews with the restaurant owners. At *Der Wiener Deewan*, the question of value is tied to what and how much people have eaten in combination with fairness, satisfaction, and the ability to pay. The owners want people to think about “what is the value of the food that they are consuming”, which implies a call to self-responsibility and accountability. This almost pedagogic intention of trying to make people aware of the actual values of what they are consuming rather than being always guided by the price was also a key theme in many US restaurants and food businesses included in this study. The owner of *Pyngle’s* food truck mentioned that when people are faced for the first time with the situation where they have to determine the price themselves, they are “usually pretty surprised because they are, at least in this country, and I think in most, conditioned to expect prices.”

An important similarity among most of the interviewed restaurant owners relates to a committed focus on an excellent product rather than profit maximization. A recurrent notion was that the restaurant owners wanted to satisfy the customers primarily with the product, and also with the price. “The point is not really for me to make as much money as humanly possible.” This notion stands in stark contrast to traditional economic theory’s maxim of profit maximization in line with personal self-interest and also poses a challenge to the Wall Street culture that implies the goal to make as much profit as humanly possible.

Whereas Wall Street brokers and food trucks or restaurants are in an entirely different industry, they are both part of the economy and thus contribute to creating, maintaining and potentially challenging its cultures. Even though small in scope, the message that emanates from the businesses with participatory pricing models is an important one: It must not be the goal to makes as much money as humanly possible. A focus on, perhaps return to, trust and value-consciousness as well as mutuality in economic exchange holds great potential.

The notion of value-consciousness and challenging the focus on money also entails parallels to the rise in popularity and trendiness of food trucks all over the US. Food trucks feature a different sort of model without fixed rents and a different way of eating. Many people have stopped going to restaurants after experiencing financial

difficulty during the economic downturn starting in 2008. In this sense, food trucks, and especially the ones that have a PWYW pricing model are situated within a context of economic crisis and potentially challenge the comeback of capitalism. Even though limited to certain industries and still only adopted by a small minority of businesses, participatory pricing models like PWYW may be one manifestation and vehicle for abandoning a capitalist price-fixated logic and represent the notion of alternative economic cultures that challenge existing cultures and practices that might have contributed to the economic crisis in the first place.

A recurrent theme in all interviews, both on the seller and the buyer side, was the reference price. "People usually reference other experiences or exchanges they had with similar products and factor that in in terms of understanding what's a fair market value when they pay." This confirms previous research in that the reference price is an important component for people to decide which amount to pay when they have to determine the price themselves (Kim et al., 2008). This study's empirical analysis shows that in some cases, price reference points even provide a sense of security and aid to avoid a feeling of remorse when paying. By the same token, customers reported to feel a "sense of guilt" already before buying under PWYW conditions because they felt that they were running the risk of paying too little.

This echoes Elster's (1989) argument about socially contingent exchange norms in democratic societies, which entails potential emotional distress when social norms of equal distribution are violated. Furthermore, results from the participant observation also suggested that people were very concerned about what their immediate peers' reaction to the personal pricing decision would be. Participating in the act of buying under PWYW conditions seemed to expose some customers to immediate social pressures, slight personal emotional stress and fear of disapproval by peers, which is in line with previous research on social norms in distribution and transactions (Ariely, Bracha, & Meier, 2009; Elster, 1989; Venkatesan, 1966).

One question for future research pertains to customers' reliance on reference prices when determining the own price point in a participatory pricing situation as suggested by this study's findings as well as by Kim et al. (2008, 2010). If buyers need reference points, does that implicitly mean non-PWYW or non-participatory pricing models must exist? It could be an interesting experiment in future studies to assess whether PWYW and participatory pricing models can only exist in combination with, or perhaps exists as a consequence of, traditional pricing models with pre-determined prices. This goes at the heart of the highly relevant and pertinent question as to what extent traditional economic practices are ingrained and embedded in culture so people

potentially have difficulties when these normative assumptions and practices at the intersection of culture and economic life are challenged or broken.

The question of value and exchange was another interesting aspect that emerged from the empirical analysis of participatory pricing as employed by the restaurants. At the *SAME Café* in Denver, CO and the *Better World Café* in Highland Park, NJ offer the customers who are not able to pay to do volunteer work in exchange for a meal. On the one hand, this example exemplifies how participatory pricing models account for heterogeneity among customers and create a situation with equal access irrespective of income and financial ability. On the other hand, it implies an appropriation of value and price where the labor theory of value holds true in a contemporary sustainable and profitable business even though the theory is said to be mostly inapplicable to today's forms of exchange. In particular, this form of paying for a meal by giving back the amount of labor that was necessary to produce the meal implies the Marxist notion of the labor theory of value. Similarly, the findings also string a chord with the notion of mutualism and reciprocal altruism. The owner of the *Better World Café* explained:

“We want to offer one of the most basic needs that a person has, which is food, or sustenance, but in return we want to give you the opportunity to do be able to do something in exchange for that, whether it's pay, or volunteer your time or your skill.”

In this sense, PWYW and participatory pricing also constitute a strong challenge to commodity fetishism and its various manifestations in certain parts of contemporary economic life. Giving lower relevance to price and the economic interplay between products and money, participatory pricing models and PWYW open up an avenue where social relations govern the act of exchanging in a buyer-seller situation. Furthermore, it creates a situation in which consumers are brought closer to an acknowledgement of the human labor that went into creating a product and the arbitrary monetary value associated with the commodity obtains less importance. “We want to bring the customers back to realizing how food is made and what kind of work goes into it, so it's not only about them participating in finding a price, but also mentally in acknowledging its creation,” as the owner of a German PWYW restaurant noted. This opens a window of opportunity to challenge the fetishizing of commodities and the ascription of intrinsic value to often arbitrarily priced goods and products.

What unites most restaurant and food businesses surveyed for the present study is their intention to change the current perceptions of economic interaction. For example, the owner of the *Pyngle's* food truck contended that participatory and flexible pricing is about “shifting how people approach the exchange, changing perspectives and

perceptions, and also make them experience a new form of merchant exchange.” Clearly, participatory pricing models exemplify a challenge to the traditional economic theory of rational choice. All restaurant owners or managers surveyed for this study reported to constantly have customers that pay above-average prices. Essentially, the very fact that people pay anything greater than zero when they have the chance to pay zero for a product disproves rational choice theory within the context of this study’s research because rational choice theory would predict individuals to always maximize personal profit in pursue of self-interest. The customers’ sharing mentality and willingness to pay even when not having to pay contradicts rational choice and illustrates that there are other mediating factors at work that influence individual choice and pricing.

The practices, meanings and motivations around PWYW illustrated in this study allow for a reconsideration of traditional economic theory and suggest that the traditional economic way of thinking does not generally hold true for all sectors of society and the marketplace. Economists argue that individuals carefully assess and try to minimize opportunity costs when making an economic decision. When going to a restaurant, people usually spend money on a meal because they need to eat and enjoy the food. What happened, however, when people were provided with the chance to pay what they wanted did not seem to fit traditional economic theory about individual behavior and choice. When individuals have the chance to pay \$0 the opportunity costs of paying any amount above \$0 are extremely high. The amount spent on a free product could much rather be used for other objectives or purchases that require payment. The PWYW restaurants, however, very rarely reported that customers paid nothing at all for the meals that they consumed, both in the US and in Germany.

Prices, supply and demand

Traditional economic theory’s focus on the opportunity cost of choices and the maximization of value as a purely self-interested individualist is a rather one-sided perspective. Likewise, the supply and demand logic as the primary determinant of price only captures part of the picture. As the present paper shows, there are other mediating factors that determine the price. Besides, supply and demand, which do influence the price in certain situations, participatory pricing models are an example of how culture, reciprocity, the motivation to achieve positive social impact and social responsibility are directly linked to the final price paid in an economic transaction.

PWYW functions as an alternative pricing model that challenges traditional economic theory about the deterministic, causal relationship between supply and demand levels and product prices. The restaurants studied for this paper are clear examples of a non-traditional behavioral relationship between price and supply and

demand levels, showing that prices in participatory pricing situations do not seem to always increase when demand goes up and supply levels remain constant. For example, several interviewed restaurant owners reported an increase in customers during the economic recession around 2008. Both in Germany and in the US, people came more frequently to make use of the food provision where they could self-determine the price. A high percentage of customers were families and people who were struggling during the recession.

Whereas the number of people that came to eat – and thus the demand for the product – increased, the average price generally went down during that time. For example, the price at the *SAME Café* in Denver, CO went down to an average of \$2 per meal from a pre-2008-recession price of \$7.50 on average. At the *Kish* restaurant in Frankfurt, Germany, the average price that people were willing to pay also decreased to prices slightly above €2 Euros while the restaurant was serving about 20% more customers. Since 2012, about 30% of *Kish's* customers have only been paying €1-2 Euros – an equivalent to \$1.5-2.5 US dollars – for a complete lunch meal, while demand levels have been increasing slightly. These empirical findings challenge traditional economic theory's demand relationship and suggest that as demand increases, prices do not automatically follow, but in fact decrease in some instances.

Ambivalence in culture and economics

Rooted in feminist theory, Gibson-Graham's (2002, 2006) framework of non-binary, multivariate economic possibilities reveals the applicability of PWYW and participatory pricing mechanisms to the notion of ambivalence, which substantially helps to better understand and make sense of participatory cultures and trends within the economy. Rather than putting a traditional economic template on businesses, PWYW businesses embody the possibility of multiple, simultaneously present economic frames and cultures, with participatory elements coexisting alongside capitalistic and for-profit patterns, as it was the case in many of the restaurants studied for this paper.

This culturally economic and economically cultural symbiosis also crystallized from empirical analysis and data. The owner of *Pyngle's* food truck said that his business "wants and has to make a profit, and does not rely on any outside funding or benefits from being a non-profit organization", but at the same time it has a profoundly social agenda to spread healthy, sustainable food cultures and facilitate access to healthy food for disadvantaged groups with limited financial ability.

Exemplary for most restaurants and cafés in this study, this business hence inhabits both the capitalistic, economic sphere as well as the realm of positive social change and community impact. By the same token, it incarnates the idea that there is no

one true capitalism, nor are there economic alternatives per se. In this sense, it is not only that PWYW and participatory pricing models exemplify different economic possibilities, but they also epitomize bridging spaces where economic capitalism coalesce with cultural ingenuity and social innovation, which truly qualifies as and cements the notion of economic cultures.

Future research

The logic to apply PWYW and participatory pricing from a marginal costs standpoint is interesting and makes sense at first site, but it still begs the question as to why it is that restaurants are first movers. Future research should examine whether participatory pricing or similar practices and cultures exist at other levels of the supply chain and perhaps in different industries and distribution segments. Moreover, a well-grounded cross-cultural analysis with more countries besides the US and Germany could yield interesting findings and is promising as it was suggested by several respondents in this study that customers from countries such as France told them about similar participatory pricing models in their countries of origin. It is thus worthwhile to further tap into PWYW in different cultural and geographic spaces to build theory and methodologies around the phenomenon of participatory pricing.

Conclusions

This paper is an important contribution to academically capturing participatory pricing models in the restaurant and food truck industry. Following Kim et al. (2008), the present study has further elaborated on the description of PWYW and its features as a participatory pricing model as well as the practices, meanings and motivations surrounding it. Besides tapping into PWYW and participatory pricing on a descriptive, ideographic level, the present paper has also built meaningful theoretical connections and opened up debates by considering participatory pricing, PWYW and its variants through the lens of traditional economic, classic sociological and contemporary communications and cultural theories.

More importantly, this paper's analysis and discussion of PWYW and similar variants of participatory pricing models from an interdisciplinary perspective, combining communication theory, cultural studies and economics, affords novel insights into an economic culture of pricing through participation. Even though locally constrained and currently present only in a small number of restaurants and food trucks in the US and Germany/Austria, participatory pricing is an increasingly emergent cultural phenomenon, as for example the number of community cafés that follow the *One World Everybody Eats* model is growing.

Besides shedding light on this emerging economic culture, this paper verifies and extends existing theoretical models on participative pricing mechanisms by availing specific case studies and examples from the US and Germany, while simultaneously providing a thick description of PWYW and other variants of participatory pricing across cultures and nations. This contributes to an understanding of the various meanings and motivations in participatory pricing models from both the buyer's and the seller's perspective and the model's implementation in various contexts and situations.

More broadly, this paper's detailed empirical analysis and discussion of PWYW in specific local situations sets the stage for reinvigorating a broader debate in economics and the social sciences around the dichotomist tension between the concepts of homo economicus and homo reciprocans. In particular, the empirical findings, though not representative of any broader population, pose a challenge to the economic argument of people following the logic of the rational and self-interested homo economicus in constant pursue of profit and utility maximization. Instead, participatory pricing embodies a rich repository for arguing in favor of the homo reciprocans, which promotes the idea of human cooperation and the desire to improve the collective environment.

It is important to understand the crucial role of social and cultural factors regarding market economies. The social underpinnings are what make economies function, not a guard or the police safeguarding every department store or window. Of course there are exceptions, but the fact that they are regarded as exceptions confirms that mutual trust, fairness and reciprocity are the rule. Economic behavior does not unfold in a social vacuum, but is culturally shaped, framed and enacted. It is important to consider the nature of economic behavior and economic interactions against the backdrop of the social relations and interpersonal dynamics that underlie them. Traditional economic theory and the concept of homo economicus only capture parts of what characterizes human interactions and behavior in market exchange. Without a doubt, self-interest drives human actions and behavior, but this behavior at the same time is profoundly imbued by social and cultural interventions. Rather than entirely self-interested economic actors, people are substantially guided in their economic behavior by reciprocity, fairness and social responsibility, with participatory pricing allowing for ambivalence and acting at the intersection between economics and culture.

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Appendix 1

#: **Interview Question Catalogue: Owners/Managers** Christoph Rosenthal
Date: USC
Interviewee:

- 1) Why have you started with Pay-What-You-Want / the participatory pricing mechanism?
- 2) What does it mean to you to have this pricing model?
- 3) What was your motivation behind the implementation of this idea?
- 4) Where does this idea come from? How did you find out about it in the first place?
- 5) What are the people's reactions when they come into the restaurant and first learn about the alternative pricing?
- 6) What do the people who frequently come back say? How do they feel about it?
- 7) How do people find their prices? Do they have reference prices in their minds, and if yes, what are they?
- 8) Are there many loyal customers that often come back?
- 9) Who comes to you? What kind of people are the most frequent visitors? Who do you never see?
- 10) How do you keep the business going? Is the Pay-What-you-want the only way people pay? Do they have to pay fixed prices for drinks?
- 11) Did the financial crisis/recession have any noticeable influence on your business?

And finally some more philosophical questions in general about yourself:

- 12) What is mutuality / mutuality for you?
- 13) What is creativity / creativity to you?

Appendix 2

#:

Interview Question Catalogue: Customers

Christoph Rosenthal

Date:

USC

Interviewee:

- 1) When and where did you buy something under Pay-what-you-want conditions?
 - 2) Did you know that you could set your own price before you went to get the smoothie at the food truck?
 - 3) How did you feel when you were paying your own price? What did it mean to you?
 - 4) What kind of relationship did you feel was present between you and the owner of the food truck? Was it different from a normal purchase? If yes, in what way and why?
 - 5) How do you feel about the wording "Pay your fair share"? What does this mean to you? How does this influence your price decision?
 - 6) What was your first thought when the owner of the food truck told you that you can pay your own price?
 - 7) What was your reference price before you found out that you could set the price yourself? How much would you have paid normally and why? Where did the reference price come from?
 - 8) Once you found out that you could set the price yourself, did you feel like paying differently than usual? If so, why?
 - 9) Were you inclined to give a tip? If so, why and do you usually give tips?
 - 10) Would you go to the same food truck again? If so, why?
 - 11) Why do you think does the owner of the food truck offer his products under pay-what-you-want conditions? Why do you think does he let his customers decide what they want to pay?
 - 12) Do you think pay-what-you-want is a good idea?
 - 13) What's the difference for you between pay-what-you-want and pay-your-fair-share?
- And finally some more philosophical questions in general about yourself:
- 14) What is mutuality / mutuality for you?
 - 15) What is creativity to you?

(Please feel free to add any relevant information or comments that you feel are important for me to better understand the meanings and motivations around this alternative economic practice. I'm also very thankful for any additional input that you feel is important and that did not come up in the questions.)