

## **Paying before or paying after: the role of meeting expectations in a Pay-What-You-Want environment**

Pay-What-You-Want (PWYW) is a relatively new pricing mechanism in which consumers have full control over the price they pay. Previous research on PWYW has shown that the effectiveness of this mechanism for the seller depends on factors such as product value, social distance between buyer and seller, and consumer characteristics. In this paper we investigate the effects of a new variable: whether people pay before or after consumption. Apart from the practical implications, this variable is of particular relevance because it can shed light on the role of confirmed (or disconfirmed) expectations on payment. We test the effects of paying before or after consumption in a big field experiment conducted in a conventional and a fast food restaurant. This study is complemented by a laboratory study to shed light on two moderators of the role of meeting expectations, predictability and reciprocity. Our results show that paying after consumption can increase PWYW amounts and, consequently, the profitability for the seller. This effect is significantly increased when people have the tendency to reciprocate positively and it is moderated by the predictability of quality.

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