

# The Effect of Product Attributes (Goods vs. Services – Essential vs. Luxury) on the Effectiveness of Pay-What-You-Want Pricing Strategies

Mohammed Saud Alsuhaym<sup>1</sup>, Raken Hamed Alqadhi<sup>2</sup>,  
Abdullaziz Madhi Almadhi<sup>3</sup>, Ahmed Abdullah Alreheli<sup>4</sup>

<sup>1</sup>MBA, Marketing Trainer, at TVTC ALMadinah College of Technology, TVTC, Saudi Arabia

<sup>2</sup>Marketing Trainer, at TVTC Hafer Albatin College of Technology Saudi Arabia

<sup>3</sup>Marketing Trainer, CM at Technical and Vocational Training Corporation, Riyadh Saudi Arabia

<sup>4</sup>Business Administration, Management trainer, at TVTC ALMadinah College of Technology, TVTC Saudi Arabia

Work at Technical and Vocational Training Corporation (TVTC), Saudi Arabia

---

## INTRODUCTION

Pay-What-You-Want (PWYW) pricing is a new tactic that relinquishes pricing power to buyers rather than sellers, allowing buyers to make payment choices. While empowering in character, it is highly product attribute-based in efficacy. Tangibility, like goods compared to services, and necessity, like luxuries compared to necessities, affect willingness to pay but also motivations like fairness, self-image, and social responsibility. Based on this literature background, this research explores three central questions: how goods and services affect payment response, how product products affect results being essential or luxury products, and how both affect consumer willingness to pay in PWYW strategies.

---

### Is Pay-What-You-Want Pricing Right for Your Business



From "Pay what you want pricing: Pay What You Want Pricing: A Risky but Rewarding Strategy by Faster Capital, 2025

#### **How product attributes influence consumers' payment behavior under Pay-What-You-Want (PWYW) pricing.**

Pay-What-You-Want (PWYW) pricing model is a recent disruptor to established structures of prices in that decision authority about prices is transferred from seller to buyer. Although it has inherent attractiveness to researchers and practitioners because of novelty and distinctiveness, it does not function uniformly across all product classifications. One of

the largest determinants of a successful program within PWYW is product attribute, mostly a function of good versus service. Since goods are physical in nature, customers are able to derive their long-term value while services on the other hand are perishable and many times experimental items due to their intangible nature thus providing a different consumption pattern (Güzel et al., 2025). These differences in terms of physicality or intangibility, the durability of the items and the perception of the customer play a crucial role on payment behavior across consumers within a system of PWYW.

To begin with, since goods are physical and thus tangible, they offer a strong mental anchor to customers thus influencing their valuation in PWYW when compared to services which are intangible in nature. For instance, if a customer goes to purchase a physical product say a phone, cup or even a book they will have a physical outcome of the transaction on the customer's hand. The fact that a customer will have physical possession after purchasing goods makes them to be willing to pay a higher price for goods. Behavioral economics studies indicate individuals become less likely to underpay goods in response to cognitive dissonance: physical good supplies a lasting reminder of consummation; paying below sufficient remuneration to the seller makes them feel manipulative (Elliehausen, 2019). For example, although Radiohead's album rollout in 2007 employing PWYW did cause some consumers to pay little or no amount for *In Rainbows*, many consumers still paid decent sums since album was a permanent, physical entity endowed with inherent cultural value (Titus, 2018). By way of comparison, services remain intangible and both provided and consumed simultaneously—are a haircut, visiting a museum or a guided tour—the consumption dimension makes it challenging for consumers to anchor value along a reference anchor. Being imperishable, consumption in services makes it incapable of re-appraisal post-consumption and re-use, thus consumers may feel less bound to remunerate less or absolutely zero in a PWYW experiment especially if monitoring does not occur socially.

Second, services inherently involve higher relational and emotional elements than goods, possibly enhancing levels of fairness consideration in PWYW programs. With services going hand in hand with the provider, consumers integrate payment not only with the perception of utility of service but also with effort, capacity, and personal contact put in by the provider. Such a human element can invoke norms of fairness and reciprocity in society and decrease opportunities for underpayment. For instance, in restaurants or coffee chains applying PWYW programs, consumers pay at or above market levels since they have a social obligation to compensate adequately personnel who served them. Intangibility does not facilitate a reduction in payment levels but shifts payment motivation from value-based judgment to fairness-based or prosocial consideration. Various studies have reflected upon this finding that if providers remain in sight or identifiable, payment below PWYW increases immensely compared to unseen or anonymous payment since services invoke social-image concerns more powerfully than goods.

Third, how goods' durability weigh against services' perishability determines payment behavior among consumers. Durables yield lasting utility and will trigger consumer guilt if radically undervalued. A consumer who pays a buck for a pair of shoes under PWYW will subsequently feel dissonance each time he or she wears them since the undervaluation still haunts memory. Such long-term mental responsibility forestalls radically low payment rates on durables (Dorn & Suessmair, 2017). Once services become expended, however, they no longer exist and bequeath no lasting evidence of trade. Such time-based dissimilarity might be a determinant behind how often PWYW succeeds within cultural or service-based markets—e.g., street performers, museums, software downloads—when consumers can easily modify payment without tangible ownership's lingering memory.

Another applicable factor is in how consumers think about the marginal production cost between services and goods. Most consumers understand that goods entail material inputs, production, and transportation, and therefore might link underpayment directly to seller cost harm. Such a thought can be a catalyst to higher remuneration to prevent injustice and sustainability. Service providers are usually considered to have minimal marginal costs because they deliver services in real time without material expenditure. An example would be listening to a lecture or a street performance that might appear to require minimal inputs beyond the provider's time. Therefore, consumers can be justified to demand less payment in response to calls to PWYW, regardless if high-level skills have been utilized. Material versus immaterial costs hence create asymmetry in payment conduct.

Social forces further diversify payment variations between services and goods. Goods-based transactions are primarily solo or secretive, whereas services are characteristically watched within social circles enforcing payment norms. Restaurant-based PWYW, for instance, has observer-ship among fellow diners and visible staff interactions inducing reputational concerns inhibiting consumers from making too low payments. By contrast, purchasing goods on PWYW via Internet (e.g., digital media) diminishes reputational accountability due to anonymity and inducing broader variation and concomitantly lower mean payouts. Therefore, social observability at the service level tends to boost consumers' payout levels, whereas secrecy at the goods level reduces prosocial inclination lacking strong internalization of equity.

Psychological ownership is central too. Goods confer direct entitlement to ownership that sends a signal about concomitant value and obligation. PWYW consumers internalize a responsibility to be paid a fair amount and affirm the social contract of mutual interchange. But services confer no such entitlement to ownership but rather award ephemeral experiences. Such inability to award permanent ownership diminishes a sense of responsibility to the provider that can push down payment levels until fairness norms or reputation concerns intervene.

Product-feature influence on decisions made in PWYW is moderated further by contextual and cultural factors. With collectivist societies where social equity and reciprocation prevail, services in PWYW will be paid higher due to concerns related to social image. With highly individualistic societies, material products will be paid higher due to higher concerns related to property rights and a feeling of moral responsibility to return material value (Rabbane et al., 2022). Beyond this, digitalization blurs the line between goods and services such that we can't easily predict how consumers will act within PWYW. One case example is download software which is an intangible virtual good bear the characteristics of a physical product like being permanent while at the same time it also bears the characteristic of being intangible like a service which makes the consumer to have hybrid conceptions and thus making the payment behavior mixed.



From “The Impact of Pricing On Customer Acquisition by Faster Capital”, 2025

**How the distinction between essential and luxury products affects the effectiveness of PWYW strategies.**

Pay-What-You-Want (PWYW) plan success doesn't always apply to all types of products. Instead, it depends a lot on whether customers see a product or service as a need or a want. Essentials are things that people need to live and stay healthy, like basic kitchen supplies, healthcare services, public transportation or ride-hailing services, or school supplies. Luxuries, on the other hand, are things that are not necessary or are optional, like dining out at restaurants or fast-food places, branded clothing or accessories, or event experiences. When it comes to category classification, it directly affects how a consumer thinks, how fair they think things are, and how much they are prepared to spend in a PWYW situation. Consumer pay decisions within essentials mainly entail affordability concerns, Moral Behavior Framework motivations, and social responsibility concerns, while within luxuries mainly entail image communication concerns, Self-Concept identification concerns, and Hedonic product value concerns. A discussion regarding such forces serves to shed some light on why successful application in PWYW can be achieved within certain luxury markets but not within essential markets and how firms can utilize such an essential–luxury dichotomy to their own benefit.

Firstly, consumers will be reacting differently to essentials versus luxuries in how much to compensate. Essentials will be things people will be expecting within reach; thus, programs like PWYW introduced on essentials will induce stress between fairness to seller and own budget constraint for buyer. For bus fare or staple foods having a PWYW introduced on them, stressed buyers will be making reduced payments—even though knowing these will non-recover any costs—so that they can rather be considering survival and affordability versus reciprocity. Such a scenario will be having sustainability concerns since PWYW introduced on essential products will lead to free-riding strategies or below-equilibrium payouts in market. Nevertheless, PWYW can bring about higher inclusivity within essential sectors by granting poor buyers entry while relying on others, especially higher-income buyers, to pay beyond a higher level due to incentives from fairness or altruism. Such a redistribution role can be observed within free-mealing restaurants or community foods where higher-paying guests will pay beyond required level to make poor-based societies enjoy free entry. Thus, within essentials, effectiveness relies on social solidarity and fairness norms rather than own hedonic consumption.

By way of contrast, luxuries produce very different consumption responses under PWYW. Given that luxuries will signal status, pleasure, and self-expressivity, consumers will be motivated to pay gladly in order to safeguard self-image, signal affluence, or display appreciation for craftsmanship. Luxury consumption is discretionary rather than obligatory, which suggests that payment behavior per se is very highly associated with both the consumer's self-identity and social position. For a point illustration, reflecting upon luxury restaurants offering PWYW tasting menus, patrons will pay higher rates even than regular rates because paying less will be an indicium of poor taste, frugality, or inability to afford excess.

There is a great relationship between the consumption of luxury items with impression management and therefore, PWYW strategies can be used in luxury to influence the payment dimension that involve reputation. For an opposite alternative to basics, where consumers will pay less due to economy-driven motives, luxury buyers will actually pay inordinate amounts due to a desire to maintain self-image or be congruous with social conventions involving generosity. That's why PWYW has performed best in cultural and entertainment product categories such as theaters, museums, or virtual media products where products embody discretionary luxuries but not basic necessities.

Another distinction is in how consumers perceive they ought to be morally compelled to compensate for luxuries versus necessities. Luxuries have no entitlement expectations attached; they are privileges but not entitlements. Thus, while necessities seem like basic entitlements in any society and about which such consumers might feel less personal responsibility to pay fully if they receive them on a PWYW footing, luxuries have no such entitlement expectations attached. Thus, if such consumers receive luxuries on a PWYW footing, they may feel a greater responsibility to compensate adequately or ideally in excess both to compensate the provider and to justify such a luxury. Such a moral imbalance creates a structural bias that predisposes luxury industries to a greater chance of benefiting better from a PWYW structure compared to necessity-based industries.

Price elasticity further stresses the basic–luxury dichotomy. Basic goods have low price elasticity: demanders are forced to purchase them irrespective of fluctuating prices, hence the lesser success in creating demand under PWYW since willingness to pay is constrained by necessity rather than subjective admiration. Luxuries have extremely high elasticity; consumption depends on discretionary incomes and subjective appreciation. With PWYW, luxury consumers can tune payments to subjective experience, quality assessment, and status enrichment to create higher voluntary overpayment opportunities. A luxury attendee at an arts exhibition who pays in a PWYW situation may pay above a regular ticket because of appreciation, while the same attendee who pays staple foods in a PWYW situation will not pay voluntarily above a market level because product type does not create emotional or symbolic appreciation.

Psychological drivers differ widely between luxuries and essentials within PWYW. Instrumental thinking applies to essentials: consumers balance need and ability to pay. Luxuries apply to hedonic thinking, where emotions such as pleasure, pride, and excitement drive payment decisions. PWYW is most successful when emotions are at the fore because consumers become freer in payment if they feel motivated, happy, or thankful. A successful PWYW plan within a luxury setting—e.g., a concert event or a special virtual event—can apply emotional appeal to demand higher payment. In basics, however, such emotional arousal is absent and instrumental interests dominate, constraining upward payment potential.

Forces of culture again act beyond the essential–luxury dichotomy in PWYW effectiveness. For societies whose essentials amount to societal duties alongside personal concerns, consumers will be able to expect others' generosity within a PWYW setup and thus pay less personally. But if societies' consumption luxuries draw upon personal image and status, competitive generosity wherein consumers pay too much to signal capabilities or appreciation can be taken advantage of in luxuries' PWYW strategies. And if societies' religiosity or morality highly regards charity then PWYW of essentials can be a winner in voluntary redistribution but highly dependent upon community solidarity.



From “Pay-what-you-want versus pick-your price: The interplay between participative pricing strategies” by Rathore et al., 2022

### Interactions Between Product Type and Product Value in Shaping Willingness to Pay Under PWYW

It was not possible to fully understand the efficacy of Pay-What-You-Want (PWYW) without investigation into how product features intersect. Goods and services and luxuries and essentials both function autonomously to influence behavior but both forces work hand in hand to create intricate dynamics that influence willingness to pay immensely. Goods and services are evaluated differentially due to intangibility, duration use, and social facilitation, while luxuries and essentials vary due to need, autonomy, and affective engagement. Such features intersect to create four product categories including essential goods, essential services, luxury goods, and luxury services that create varying payment behavior on the part of consumers at PWYW.

With staple foodstuff, clothing, or medicine among products, consumers will generally have pressures restricting payment due to affordability. Goods midst necessity but emboldened with tangibility generate equity and materialistic value as well. A loaf of bread provided in PWYW has tangible production inputs which will cause consumers to pay near or above cost rather than an intangible service. But again, affordability thresholds remain such that payment will cluster around intermediate levels. The net impact is that basic goods will normally receive steadier but moderate payments: consumers will honor tangible expenses but will not be capable of making payment beyond what they perceive to be necessities. Thus, PWYW on basic goods is subject to a risk of underpaying without cross-subsidies by generous patrons or community solidarity.

By contrast, essential services – e.g., healthcare facilities, public transport, or primary education – invite different dynamics. Such services are intangible, generally viewed as a right, and utilized in contexts where affordability trumps fairness. For healthcare facilities practicing PWYW, patients will undersell or provide no payment whatsoever and will justify such actions on the argument that healthcare is a right that should be accorded to all humanity. Given that services are intangible, consumers will not easily anchor on value since intangibility plus a lack of physical evidence mitigates feelings of culpability in making minimal payouts. At the same time, relationship nature between services can invoke fairness if a provider is salient; a good example is a bus user making increased payment upon PWYW if s/he pays a salient but human bus operator compared to making a non-salient payment at a kiosk. However, this pairing between essentiality and intangibility tends to return the lowest rates for PWYW since necessity suppresses generosity while intangibility limits anchoring.

### The Psychology Behind Pay-What-You-Want Pricing



From “Pricing Experimentation: Testing the Effectiveness of Pay What You Want Pricing Models” by Faster Capital, 2025

Luxury goods, however, carry a different narrative. Durability and tangibility alongside discretionary value trigger higher payments. Artisanal jewelry, luxury clothing, or collector's edition books sold under PWYW have material value and symbolic significance. Given that luxuries are voluntary purchases, shoppers will be inclined to feel a higher moral obligation to pay sensibly, and given that they have tangibility, underpayment triggers long-term sentiments of guilt whenever use is made (Wang et al., 2024). Furthermore, luxury goods function most often as symbols of status, and shoppers will overpay under PWYW to signal identification or solidarity to craftsmanship. Durability in luxury goods translates to payments further based on perceived quality and prestige, creating resultant generous donations much higher beyond minimum costs.

Finally, luxury services—i.e., restaurants, spas, concerts, or tours—are the most attractive product category for successful application of PWYW. By virtue of being social and experiential services, they solicit fairness, gratitude, and reputational motivations. With luxury salience added to these services, they solicit further hedonic and self-image motivations. Therefore, restaurant diners who apply PWYW pay equal or higher prices than fixed-menu prices owing to motives to appear generous, reward staff, and compensate excess. Concertgoers who pay above-average prices applying PWYW may be owing to the fact that emotional impact of a performance amplifies generosity. By virtue of being highly conspicuous and relationship-oriented services, luxury services maximize effects upon reputation and thus become most likely services to be subject to successful application of PWYW.



From “Tourism and Hospitality Product-Offerings, Branding, and Pricing” by George, 2025

These four categories outline how product type versus product value interactions generate a hierarchy of effectiveness within PWYW. Luxury services will be prone to generate maximum payment because they include social salience, affective engagement, and discretionary decision making. Luxury goods rank similarly because of tangibility, long-term duration, and symbolic quality but without societal demand. Essential goods rank in between because of moderate payment having a base established on fairness but a threshold determined by affordability. Essential services are at the bottom of the list because people are less generous with their money when they need it and because value anchors are less strong when they can't be seen.

Practical Applications and Success Stories of Pay-What-You-Want Pricing



From Behavioral Economics: How Pay What You Want Pricing Can Influence Consumer Behavior by Faster Capital, 2025

## REFERENCES

- [1]. Dorn, T., & Suessmair, A. (2017). Determinants in pay-what-You-Want pricing decisions—A cross-country study. *American Journal of Industrial and Business Management*, 07(02), 115-142. <https://doi.org/10.4236/ajibm.2017.72010>
- [2]. Elliehausen, G. (2019). Behavioral economics, financial literacy, and consumers' financial decisions. *The Oxford Handbook of Banking*, 814-844. <https://doi.org/10.1093/oxfordhb/9780198824633.013.26>
- [3]. Faster Capital. (2025). Pay what you want pricing: Pay what you want pricing: A risky but rewarding strategy. FasterCapital. <https://fastercapital.com/content/Pay-what-you-want-pricing--Pay-What-You-Want-Pricing--A-Risky-but-Rewarding-Strategy.html>
- [4]. Faster Capital. (2025). Pricing experimentation: Testing the effectiveness of pay what you want pricing models. FasterCapital. <https://fastercapital.com/content/Pricing-Experimentation--Testing-the-Effectiveness-of-Pay-What-You-Want-Pricing-Models.html>
- [5]. Faster Capital (2025). The impact of pricing on customer acquisition. FasterCapital. <https://fastercapital.com/topics/the-impact-of-pricing-on-customer-acquisition.html/1>
- [6]. Faster Capital (2025). Behavioral economics: How pay what you want pricing can influence consumer behavior. FasterCapital. <https://fastercapital.com/content/Behavioral-Economics--How-Pay-What-You-Want-Pricing-Can-Influence-Consumer-Behavior.html>
- [7]. George, R. (2025). Tourism and hospitality product-offerings, branding, and pricing. SpringerLink. [https://link.springer.com/chapter/10.1007/978-3-031-65983-6\\_8](https://link.springer.com/chapter/10.1007/978-3-031-65983-6_8)
- [8]. Guzel, O., Vizuete-Luciano, E., & Merigo-Lindahl, J. M. (2025). A systematic literature review of the pay-what-You-Want pricing under PRISMA protocol. *European Research on Management and Business Economics*, 31(1), 100266. <https://doi.org/10.1016/j.iedeen.2024.100266>
- [9]. Rabbanee, F. K., Roy, R., & Sharma, P. (2022). Contextual differences in the moderating effects of price consciousness and social desirability in pay-what-you-want (PWYW) pricing. *Journal of Business Research*, 141, 13-25. <https://doi.org/10.1016/j.jbusres.2021.11.092>
- [10]. Rathore, H., Jakhar, S. K., Kumar, S., & Kumar, M. E. (2022). Pay-what-you-want versus pick-your price: The interplay between participative pricing strategies and consumer's need for cognition. *Journal of Business Research*, 141, 73-84. <https://doi.org/10.1016/j.jbusres.2021.12.001>
- [11]. Titus, N. (2018). Radiohead- Adopting pay what you want pricing strategy. Medium. <https://medium.com/@nidhi.titus/radiohead-adopting-pay-what-you-want-pricing-fdee5087172a>
- [12]. Wang, X., Sung, B., & Phau, I. (2024). How rarity and exclusivity influence types of perceived value for luxury. *Journal of Brand Management*, 31(6), 576-592. <https://doi.org/10.1057/s41262-024-00359-8>