“Pay What You Want” Payment Model.

Is the “pay what you want” payment model beneficial for artists and developers and how does it create a sense of community?
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I hereby declare that I wrote this written assignment on my own and without the use of any other than the cited sources and tools and all explanations that I copied directly or in their sense are marked as such, as well as that the dissertation has not yet been handed in neither in this nor in equal form at any other official commission.
Introduction

In today’s era of regular internet downloads and the easy access to illegal films and music, the creative industry has struggled, (BBC.co.uk, 2016). Due to this, money has increased for live performances and cinema to try and ensure money is still being made by the industry,(MakeUseOf, 2016). What are the other options for platforms and how are they surviving? One method is the pay what you want model. Pay what you want (or PWYW) is a payment model where buyers pay their desired amount for a given product, sometimes for the price of zero. In some cases, a minimum (floor) price may be set, and/or a suggested price may be indicated as guidance for the buyer. The buyer can also select an amount higher than the standard price for the artists work,(En.wikipedia.org, 2016). The “Pay what you want” payment model is being used over numerous business platforms; from restaurants (Coldwell, 2016), to theatre companies (Gardner, 2016) are utilising the payment method.

In October 2007 Radiohead released their “in rainbows” album using the “pay what you want” model. They gave their fans the freedom to pay whatever they wanted for their album including £0, this was the first of its kind for a major act and it ended up outselling its previous studio album,(En.wikipedia.org, 2016).

In this essay, I am going to look at two different platforms which are currently using the PWYW payment model within the creative industry; Humble Bundle and Bandcamp. I will outline what each platform does, why it works for them and if this could be applied more broadly in the creative industry. I will also take some examples of artists who have had success using this payment model and how these platforms have created a sense of community.

Bandcamp

Bandcamp was founded in 2007 by Ethan Diamond and Shawn Grunberger. It is an online music store and platform for independent artists to promote and sell their music in both digital and physical formats. Artists can also sell merchandise and can advertise any live shows. Bandcamp believes that music is an indispensable part of culture, and for that culture to thrive, artists must be compensated fairly and transparently for their work, (Bandcamp.com, 2016).
Bandcamp uses a fair trade music policy where the artist can allow the fans to pay as much as they want or are able to for a digital download of an album or individual songs. Bandcamp is much more than a business, it is a growing community of fans who understand the importance of paying artists directly is the best way to support the ongoing creation of music. Bandcamp will take a 15% share on digital items and 10% on all physical items (Bandcamp.com, 2016) which is half of what Apple music takes from their artist, (England, 2016). This means the artists will receive 80-85% directly and this gets paid out daily.

Bandcamp’s straightforward approach of letting the artist have complete control and freedom over their music has created a community of trust between artists and consumers. As of today, Bandcamp has paid artists $185 million dollars and $4.9 million dollars in the last 30 days alone, (Bandcamp.com, 2016). By using this payment method artists are saving money by cutting out the middleman, with no need for a distributor and no need to be signed to any label, this has led to Bandcamp becoming the choice for independent artists and those disillusioned by the costs of mainstream sites such as; Spotify and Itunes.

Bandcamp now also offers a pay monthly subscription for fans, set at a price of their choosing. This option gives fans the opportunity to give more support to an artist, have first pick of gig tickets and also creates a community platform for the artist to interact on a more personal level with their fanbase.

An example of someone who has had a huge success through Bandcamp is Amanda Palmer. Amanda was formerly the lead singer for the Dresden Dolls, she was signed to Roadrunner Records, however, in 2008 she asked to leave the label for various reasons. One of the key issues, which led to her wanting to leave, was in 2008 Roadrunner allegedly photoshopped her stomach in the music video for “leeds united”. This created an uproar with her fans and many of them bared their own bodies online calling it the “reBELLYion” (Latimesblogs.latimes.com, 2016). In an interview with skinny magazine Amanda quoted ““It was a painful, long, excruciating and complicated process,”(Theskinny.co.uk, 2016). Amanda also felt that they were forcing her into a direction that she was uncomfortable with and felt like she wasn’t part of ‘the family’ anymore. Amanda finally got dropped from Roadrunner records in late 2010 and decided she wanted to take back control of her own music which was when she came across Bandcamp. Amanda spoke on a TED talk about how important to her it was to connect with fans (there are applications on Bandcamp to write a profile and follow artists and fans) and the importance of
trusting her fans to pay and appreciate the material she has produced - “I think people have been obsessed with the wrong questions, how do we make people pay for music, what if we start asking, how do we let people pay for music” (Palmer, 2016). This illustrates Amanda’s support for the PWYW model and it has paid off for her. In July 2010 she uploaded an album to Bandcamp, the album was a series of Radiohead covers played on the ukulele. She set the price of this album to $0.84 giving the option for the fans to pay more if they would like to. According to Glen peoples writing for billboard.com Amanda went on to make $15,000 in 3 minutes from music and merchandise sales, (Billboard, 2016). With Bandcamp only taking 15% of sales this meant Amanda would make roughly $12,500 in just 3 minutes.

Amanda’s example is a good illustration of how well artists can do under Bandcamp and PWYW model, the above statistics on profit given to artists demonstrates how impactful Bandcamp can be for alternative artists who may struggle to get their music out there, let alone make a profit from it.

**Humble Bundle**

Humble Bundle is an online digital storefront for video games. Similar to Bandcamp, Humble Bundle allows you to sell games at a price determined by the developer.

Jeffrey Rosen and John Graham were working at a small-scale game studio called Wolfire Games, not being a large established company, they started to realise that selling games was difficult and started to come up with different ideas to resolve the problem. They came across a games developer, called ‘2d boy’, who had successfully launched a ‘pay what you want’ campaign for the highly acclaimed game, ‘World Of Goo’. In 2010, over 57,000 copies of the game were purchased during this sale, generating over US$117,000 after considering PayPal handling fees, (En.wikipedia.org, 2016).

On average Humble bundle pays 75% to the developer 10% to the chosen charity and 15% goes to humble bundle to cover any fees or costs associated with hosting the content, (Humble Bundle, 2016). However they allow their customers to choose how this money is divided. This payment method works well with Humble Bundle as it gives the consumer the freedom to pay what they want or they could give all of their money to charity if they so wished. In an interview
with ARS Technica Jeffrey Rosen says "this promo has no middle man (other than your choice of PayPal, Google, or Amazon to process the payment) and you can choose exactly where you want the donation to go. You could snub all the developers—and the EFF—and just give to Child's Play; we would still happily give you all of our games for all three platforms, DRM-free."

Humble Bundle works with 6 main charities; Child's Play, The Electronic Frontier, Charity Water, American Red Cross and the Wikimedia Foundation, in addition to these charities you can opt to donate to any charity of your choice. This creates a sense of social action within your purchase, not only are you gaining a product at a price chosen by you, you are able to donate part of this money to a charity - and perhaps learn about new charities on the Humble Bundle website.

From 2010 to 2014 Humble Bundle raised over $50 million for charity, (Anon, 2016)

One developer who had success is Terence Lee of Hitbox, with the game Dustforce. Humble Bundle called the team and asked if they could import the game to Linux and bundle it, it then went on to sell 10 copies on Steam per day. When Humble Indie Bundle 6 came out with Dustforce in it, sales rocketed to over 50,000 copies per day. While Hitbox Team only received $178,000 out of the $2 million Humble Bundle made, the rapid increase of players resulted in daily sales of the game to go from less than 12 to around 50–60 copies per day, (En.wikipedia.org, 2016).

This just shows that it's not really all about making profit but creating a indie community for game developers to get there stuff out there whilst contributing to different causes. They have utilised the importance of mixing popular games and not so well known games with social action (charity donation), this is the perfect combination to create success as well as social responsibility by consumers to choose options which benefit charities and the creators.

Advantages and Disadvantages of “pay what you want” model

Both Bandcamp and Humble Bundle rely heavily on word of mouth promotion - this is an inexpensive and effective method for promoting any business. In a recent article by Gitanjali Hazarika he says that “word of mouth can be used to strengthen a company's credibility, improve a company's image and influence public opinion, (PRCrossing.com, 2016). With both platforms offering services at lower prices than other sites (if they choose to) and the community feel they try and encompass, this creates larger word of mouth marketing and attention from the
media, which leads to less money having to be spent on other forms of marketing, (Brun et al., 2016). Although this is beneficial for a company's growth in can also be used in a negative way, as a weapon used by dissatisfied customers or competitors to harm a brand's image.

Both platforms require the consumer to enter an email address in order to receive the free download, this is a big advantage for the artist as it now allows them to build a database to be used later on for promotion - with Humble Bundle it ensures they are advertising new bundles which are going to go out. Although creating an email database is good for the platforms, some people find this negative and may be put off by the thought of receiving spam mail or could generally be too lazy to go through the process of typing in their details. According to Jeffrey Rosen, co founder of Wolfire Games, Laziness is a big one “it's simply easier to click a link than to fill out the fields needed to donate even a single cent”, (Kuchera, 2016).

One of the benefits of the pay as you want model that it uses one of Professor Robert Cialdini’s ‘six principles of influence’ - reciprocity, (Cialdini, 2007). Cialdini explains in his book 'Influence' that the term Reciprocity means if you do something for someone then they are obliged to do something for you in return. This can relate to the PWYW model in the way that if you give your product away for free a lot of people will feel the need to pay at least something for it, due to the trust you are putting in them. In fact Bandcamp announced on there website that almost 50% of people will pay more than the asking price set, (Bandcamp.com, 2016). As mentioned in the first part of this paper the first major act to utilise this payment method where Radiohead and their 2007 album ‘in rainbows’. While most people decided to download the album for free, 38 percent of fans choose to pay the average amount of $8.05 (in the U.S.) This created a lot of attention in such a short time and within 24 hours the album had 2.3 million downloads.

There have been many studies into PWYW one of the earliest studies exploring this pricing method was conducted by Kim, Natter and Spann,(Kim, Natter and Spann, 2016). Based on their findings in Germany during 2006-2007 their results illustrated that PWYW could produce prices that are higher than zero and could lead to increases in revenue.
**Conclusion**

The creative industries are seen by many to be profit making capitalist machines who are only out for one reason which is to make money. It's good to see that some companies are making an attempt to change this by creating platforms for independent artists to be part of a close knit community. In this paper I have highlighted the positive and negative effects the PWYW model has on it's consumers and concluded that this works well for independent artists and developers. In my research for this paper I found that many large record companies won't sign an artist who does not have a huge following regardless of how good the content is, (Cari Cole Music Co., 2016). These small platforms are great to build up your fanbase and get your material out there. This will then put you in a good position to approach a major label if you so wish, or it can be the opposite, if artists are too restrained by big businesses, this model gives them the ability to take back control. On both platforms there is a sense of community, Humble Bundle give the consumers the choice to donate some or all of the price of a bundle to charity, and Bandcamp with their options to leave feedback on artist's page and share their downloaded content with other users, are just a couple of examples. Both platforms have separate blogs for fans to follow and are both introducing a pay monthly subscription where the user can interact on a more personal level with artists through chat forums, (Bandcamp.com, 2016; Humble Bundle, 2016).

Both these platforms create a good stepping stone into the creative industries and the payment models are very beneficial for the independent artist although if you are already established and are looking to make a huge revenue then maybe this is not the best option.

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