

Pay What you want and Share profit!!!

Sujit Gujar

Lab: Artificial Intelligent Laboratory Prof Boi Faltings

Semester Project

No of Students 1.

Supervisor for the project: Sujit Gujar. {firstname.lastname@epfl.ch}

1. Background and Project Description

In recent times, some sellers are using Pay-what-you-want strategy, [1,2] especially to sell digital content or software, computer games etc, where reproduction costs are negligible use strategy.

In music industry, new comers also use this strategy and the end users pay based on how much they liked the music to support the new artists.

Once the product (a game or a software or an album) is popular, the sellers can sell it at higher price.

Now questions are: (A) how to price the product once product is popular? (B) How to share profits with the people who supported heavily in the price-what-you-want phase?

(A) In this project you are supposed to generate demand function from the statistics of pay-what-you-want and determine the optimal price for the product.

(B) You are supposed to model a game between the seller and the buyer in pay-what-you-want phase and determine the optimal strategies to share the profits later.

2. Goals/Tasks

- i. Understand the pay-what-you-want strategies.
- ii. Model the profit sharing game.
- iii. Analysis and come up with good strategies to share the profits and implement them in java/matlab
- iv. Study various pricing mechanisms and implement the relevant pricing mechanisms in java/matlab.

3. Required Skill Set

- a. Good Programming knowledge
- b. Good understanding of Game Theory

4. References

[1] http://en.wikipedia.org/wiki/Pay_what_you_want

[2] Kim, Ju-Young, Martin Natter, and Martin Spann. "Pay what you want: A new participative pricing mechanism." *Journal of Marketing* 73.1 (2009): 44-58.