Does Money Talk? —The Impact of Monetary Incentive on UGC Contribution

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Date: 2 March 2017 (Thursday)
Time: 10:30 am – 12:00 noon
Venue: ISOM Conference Room 4047, LSK Business Building

Abstract: Monetary incentive is often used to encourage user-generated content (UGC) contribution in many UGC platforms. Empirical studies, however, reported contradictory results with regard to the impact of monetary incentive. We build a theoretical model to study the impact of monetary incentive on UGC contribution, where four types of contributors (classified by whether they are intrinsically-motivated and whether they produce efficiently) compete for audience attention, and the introduction of monetary incentive either positively or negatively modifies contributors’ intrinsic reward. We identify two types of crowding in/out effect—the motivation crowd in/out, and the competition crowd in/out. Under the influence of these two types of crowd in/out effects, an increase in the monetary incentive has a non-monotonic impact on the market structure, total content volume as well as the overall quality of content contributed. As a result, different market equilibrium outcomes emerge with an increase in the monetary incentive. Our findings offer guidelines in designing monetary incentive schemes to achieve different market outcomes.

Bio: Juan Feng is an associate professor in the Department of Information Systems in the College of Business at the City University of Hong Kong. She holds a B.A. in economics from Renmin University of China, and a PhD in Business Administration from Pennsylvania State University, with a dual degree in Operations Research. Before joining City U, she worked as assistant professor at University of Florida. She serves on the editorial board of Decision Support Systems, and AE for E-Commerce Research and Applications and Journal of Electronic Commerce Research. She has published in journals such as Information Systems Research, Management Science, Marketing Science, Production and Operations Management, Informs Journal on Computing, etc.