

Sell or Give Away? Economics of Rewarding in the Creator Economy

Yu-Jen (Andy) Chuang

Goethe University Frankfurt

Björn Hanneke

Goethe University Frankfurt

BERND SKIERA

Goethe University Frankfurt, Germany

Oliver Hinz

Goethe University Frankfurt

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Abstract:

This paper investigates an innovative phenomenon in the creator economy where creators gift their previous creations' owners with new creations instead of selling these new creations. Intuitively, giving instead of selling seems unprofitable. However, we observe this phenomenon consistently and, therefore, aim to explain it by developing a conceptual framework. It suggests that potential owners develop expectations of future rewards, leading to price increases for existing and new creations, ultimately allowing creators to benefit from increased prices for their creations. The empirical analysis covering more than 25,000 transactions on blockchain outlines that creators indeed (i) can sell new creations at higher prices and (ii) benefit from increased prices of their existing creations after they gifted owners of previous creations. These results confirm the existence of positive spillovers induced by the rewarding strategy.

Keywords: rewarding, spillover, non-fungible token (NFT)

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