

Strategic Tipping Behavior in the UGC Context

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Abstract

User generated content (UGC) has become an increasingly prevalent type of online content. Along with advertising and freemium business models, tipping is one way to monetize user generated content. On UGC platforms, tipping is feasible both from the demand side and from the supply side. That is, both content users and content creators can give tips to a content creator. In this paper we examine whether a content creator's tipping behavior is systematically different from a content user's tipping behavior and if so, how and why they are different. Analyzing a unique dataset from a popular digital cartoon platform, we find that contrary to a content user's altruistic tipping motives, a content creator strategically gives tips to other creators to increase her own tip amount. Specifically, we utilize the dyadic system of equations and demonstrate that herding, quality signaling, and positive network externality, in order, explain the dynamic structure of how a creator's tipping behavior benefits herself in return – i.e., strategic tipping behavior. Theoretically, our research is the first attempt to tease apart the supply side from the demand side when it comes to identifying motives of tipping behavior. Managerially, since tipping involves real financial transactions, our research should be of great interest to UGC firms who share their revenues with their content creators.

Key words: tipping; user-generated content; herding; quality signaling; network externality

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