The Pen, the Pricetag, and the Flashlight

Putting the brakes on infectious action
Real examples of harmful infectious actions you might want to stop

- Cheating on expense reports
- Rumors and gossip among colleagues
- Excessive shipping charges
- Intellectual property theft
- Keyword “spam”
- Bad merchandising in listings
The Pen

• Making rules against a particular activity or requiring a particular activity
• Can be explicit bans, mandates or conditional regulations
• Can include explicit consequences or vague threats
The Pricetag

• Allow behavior but assign a price to it to increase the direct cost of behavior and/or shift behavior to more desirable form

• Usually accompanied by some form of enablement
The Flashlight

• Make the behavior visible and let people judge for themselves
• Operationalize the classic “front page of the NYT” rule of thumb
Real life example

Needlepoint Sampler Kit – 5 Patterns and all Supplies!
New in Box! 60% off retail!
Real life example

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Buy It Now - $2.99
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Kind of a problem
What would you do?

- Do nothing?
- Pick up the pen?
- Set a price?
- Shine some light?
Another example: Badly merchandised listings

<table>
<thead>
<tr>
<th>Item Title</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELEGANT CHINESE LANDSCAPE SCROLL PAINTING W PAGODA(LT)</td>
<td>GBP 0.95</td>
</tr>
<tr>
<td>ELEGANT CHINESE LANDSCAPE SCROLL PAINTING W PAGODA</td>
<td>GBP 0.99</td>
</tr>
<tr>
<td>WILSON FULLER OIL PAINTING CANVAS LANDSCAPE SCENE -plo</td>
<td>$4.99</td>
</tr>
<tr>
<td>OIL PAINTING ON CANVAS LANDSCAPE SCENE -plo</td>
<td>$4.99</td>
</tr>
<tr>
<td>23&quot; Chinese Painting Calligraphy Bamboo Fan Landscape</td>
<td>$6.95</td>
</tr>
<tr>
<td>Chinese Art Painting Calligraphy Bamboo Fan Landscape</td>
<td>$6.95</td>
</tr>
</tbody>
</table>
• Gallery is an upgrade offered to sellers that gives a small thumbnail picture in search results next to a listing title – very appealing to buyers

• Regression analysis of the impact of having gallery versus not having it demonstrates a 6% lift in final selling price and a 9 pp increase in conversion rate

• Gallery cost 25-cents and around 15% of listings used it
Gallery 2002

- Gallery adoption was holding steady at 14% at 25-cents; total annual direct revenue was $10 mil
- Feature efficacy analysis (based on multiple regression analysis) demonstrated a lift in both average selling price and the probability of concluding a successful sale
- Contribution margin on gallery revenue ~100%

What would you do?
• Message = quantitative benefits of usage on success rate and average selling price; low breakeven item value
• Pulsed trial pricing (Penny Gallery Days)
• Direct marketing to top sellers not using the feature
Gallery 2005

• Gallery adoption was holding steady at 55% at 25-cents; total annual direct revenue was $105 mil

• Feature efficacy analysis (based on multiple regression analysis) demonstrated a declining but still material lift in both average selling price and the probability of concluding a successful sale

What would you do?
Lessons learned

• Prices are powerful, scalable signals of value and cost
• Information and transparency are powerful when combined with self-interest
• Legislation implies policing and enforcement which may not scale with volume
• Be careful which tool you grab
• It’s ok to use more than one