

Decision Processes Colloquia

Monday, November 7, 2022

Where: JMHH 355

When: 12:00 – 1:00 pm

Krista Li

Associate Professor of Marketing
Indiana University, Kelley School of Business

Live Stream Selling and Pay-What-You-Want Tips

ABSTRACT:

Live stream influencers entertain viewers with various content to receive tips and sell products for firm commissions. We examine how viewers with social and inequality considerations make tipping and purchase decisions, whether an influencer should sell products, and how a firm selects influencers and sets prices and commissions to sell products in the surging live streaming context. Our analysis reveals an interesting interaction between tipping and purchase decisions on the demand side and between product selling and tip income on the supply side, which leads to the following insights. First, some rational viewers make seemingly irrational and impulsive purchases: excited about the live stream content, they buy products that are not worth the price. Moreover, buyers pay more (less) tips to reward (penalize) the influencer for promoting appealing (unappealing) products. Second, selling products during live streaming reduces the influencer's tip income. Consequently, only influencers with enough followers should sell products. Third, the firm should offer price discounts when selling products during live streaming, and the discounted price should change with the influencer's number of followers nonmonotonically. When selling through influencers with more followers, the firm's profit increases and then decreases, which suggests that the firm does not necessarily benefit from working with a more prominent influencer.

