

tomer bought another book, for a total of \$31.90, they would get their shipping FREE!

Some of the purchasers probably didn't want the second book (and I am talking here from personal experience) but the FREE! shipping was so tempting that to get it, they were willing to pay the cost of the extra book. The people at Amazon were very happy with this offer, but they noticed that in one place—France—there was no increase in sales. Is the French consumer more rational than the rest of us? Unlikely. Rather, it turned out, the French customers were reacting to a different deal.

Here's what happened. Instead of offering FREE! shipping on orders over a certain amount, the French division priced the shipping for those orders at one franc. Just one franc—about 20 cents. This doesn't seem very different from FREE! but it was. In fact, when Amazon changed the promotion in France to include free shipping, France joined all the other countries in a dramatic sales increase. In other words, whereas shipping for one franc—a real bargain—was virtually ignored by the French, FREE! shipping caused an enthusiastic response.

America Online (AOL) had a similar experience several years ago when it switched from pay-per-hour service to a monthly payment schedule (in which you could log in as many hours as you wanted for a fixed \$19.95 per month). In preparation for the new price structure, AOL geared up for what it estimated would be a small increase in demand. What did it get? An overnight increase from 140,000 to 236,000 customers logging into the system, and a doubling of the average time online. That may seem good—but it wasn't good. AOL's customers encountered busy phone lines, and soon AOL was forced to lease services from other online