

PRICING STRATEGIES OF DRUG VENDORS ON DARKNET MARKETS

Andreas Zaunseder and Dr Angus Bancroft

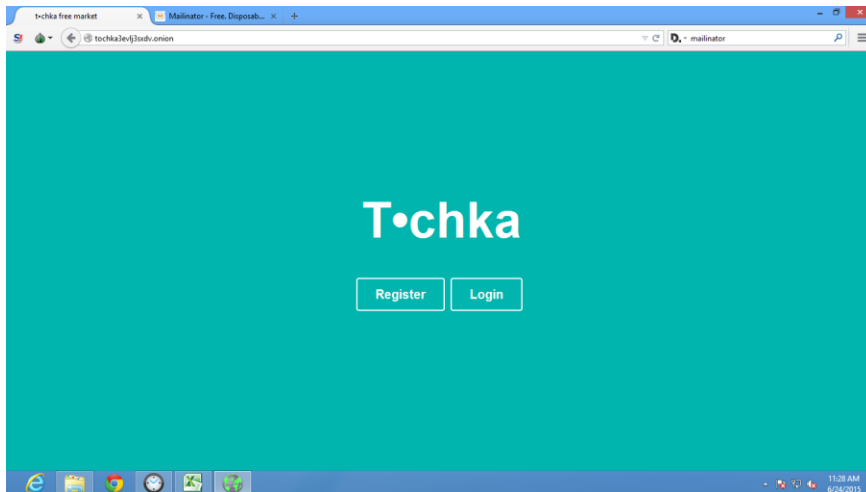
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Dr Oetker, 5-Stars and Bitcoin: What do they have to do with pricing on DNMs?



1. Sampling and Analysis



- Above average life time
 - Still existing
 - Above average up-time
 - Focus on drug produces

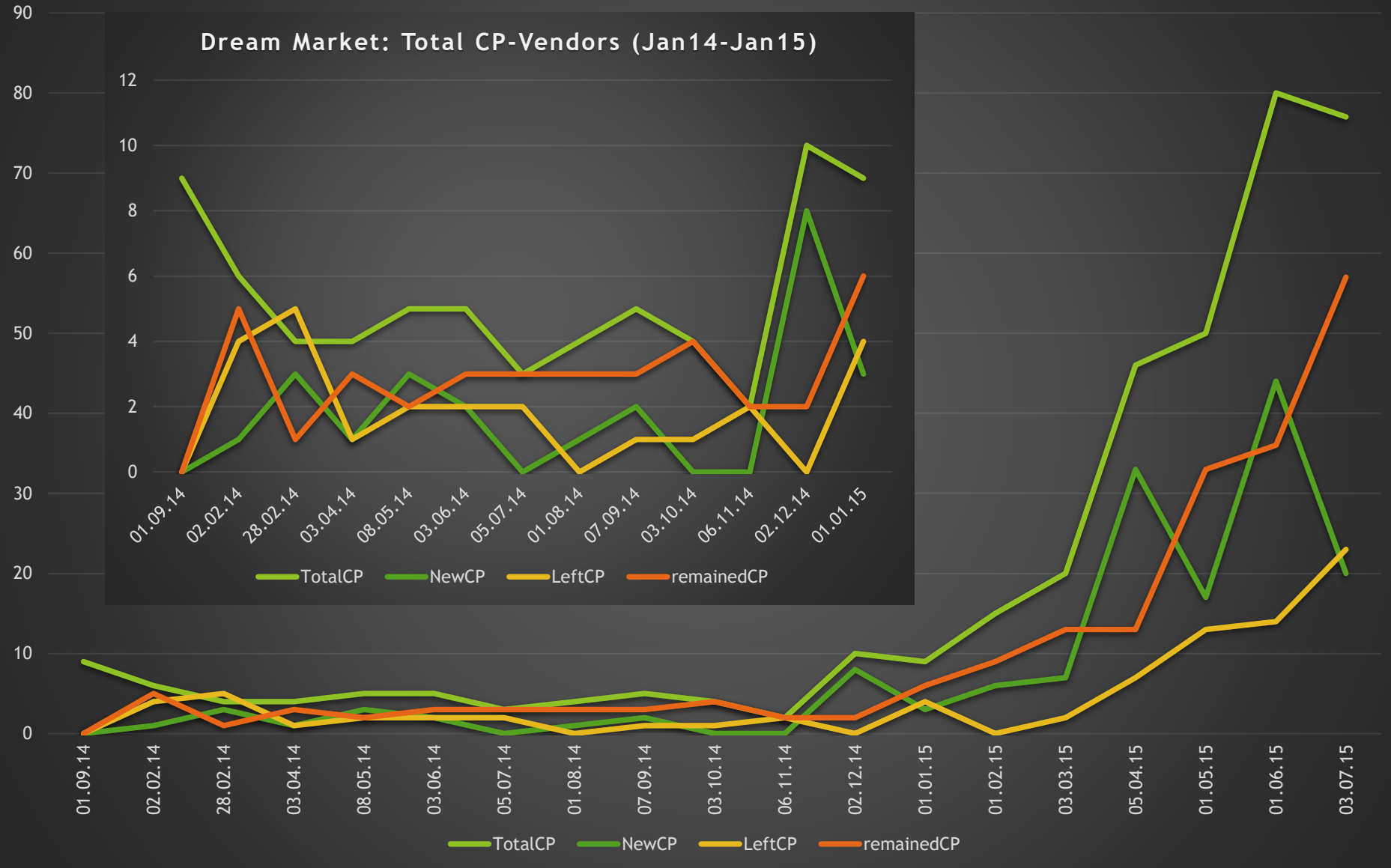
1. Sampling and Analysis

- Longitudinal study of the scrapes collected by Gwern Branwen
 - Dream Market: 01 Jan 2014 - 03 Jul 2015
 - Tochka: 05 Jan 2015 - 04 Jul 2015
 - Monthly scrapes
- Quantitative study of the cannabis and psychedelic submarkets
 - > vendor fluctuation and structure
- Quantitative study of the five most represented vendors
 - > price resonance to changes in the BTC exchange rate to
- Qualitative study of the five most represented vendors
 - > product photos, product description, vendor feedback and representation

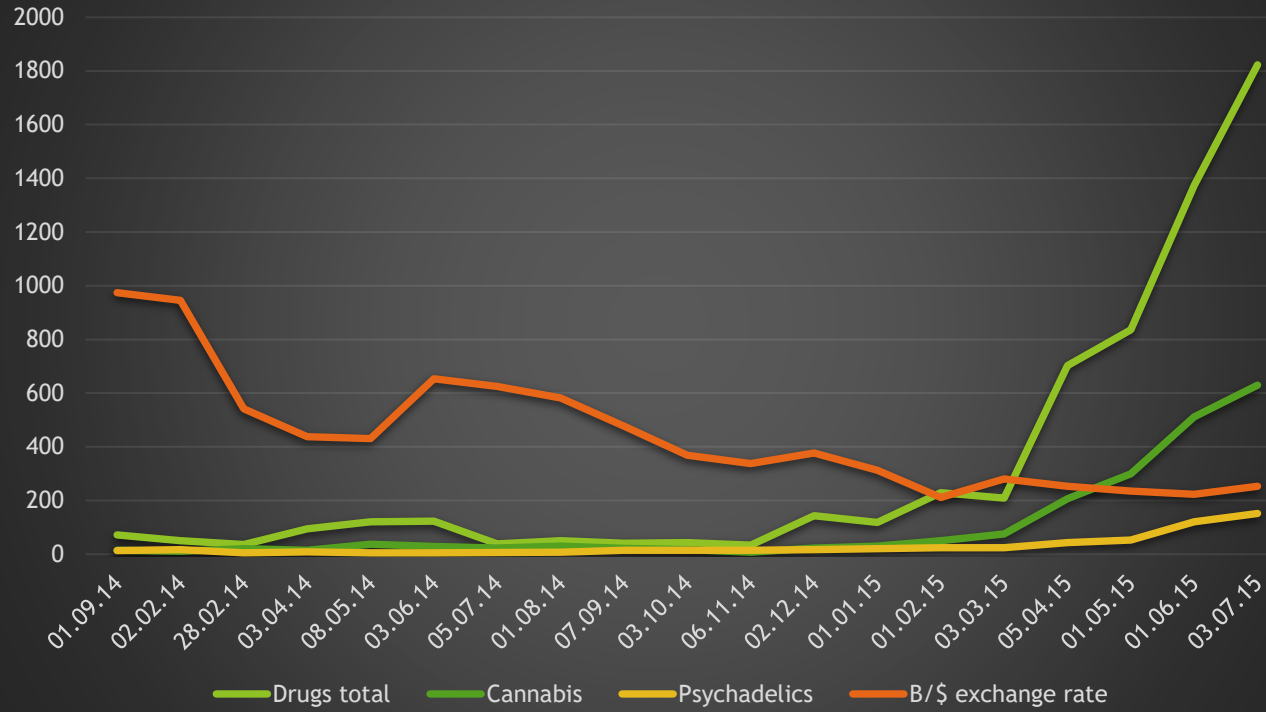
2. Findings

2. 1 Vendor and Product Fluctuation

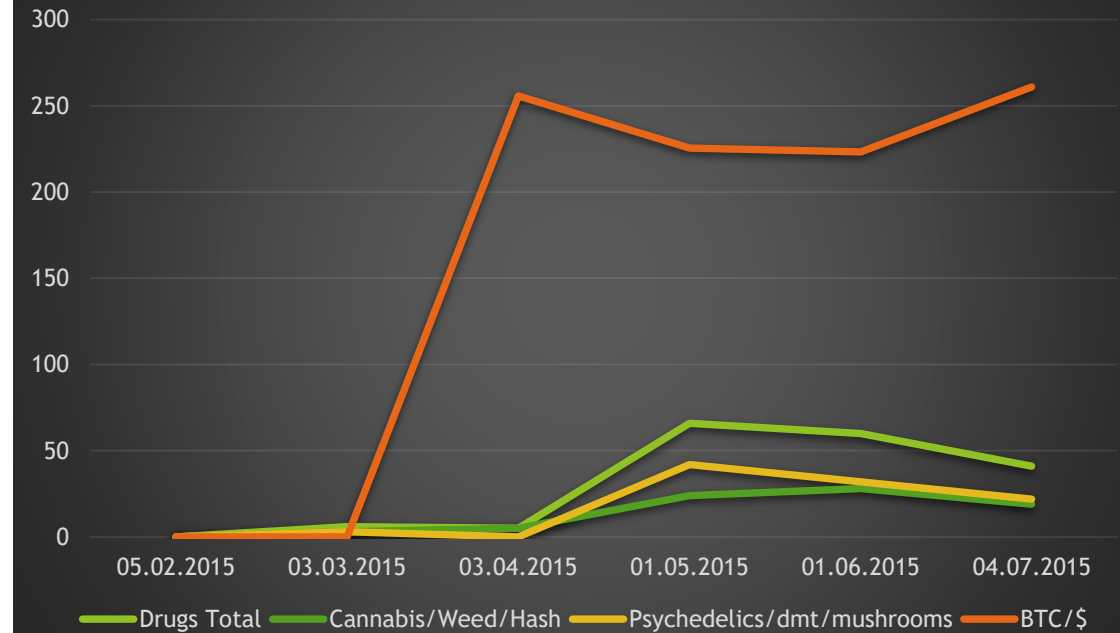
Dream Market: Total CP Drug Vendors



Dream Market: Drug Offers



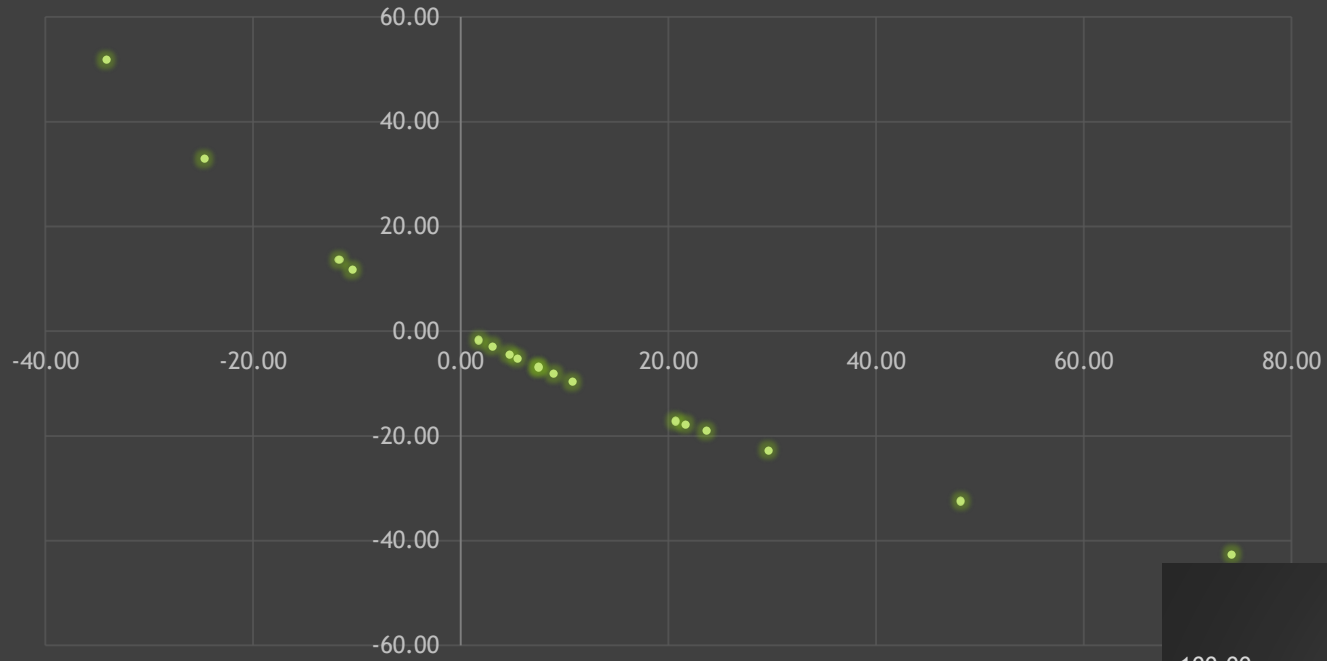
Tochka: Drug Offers



2. Findings

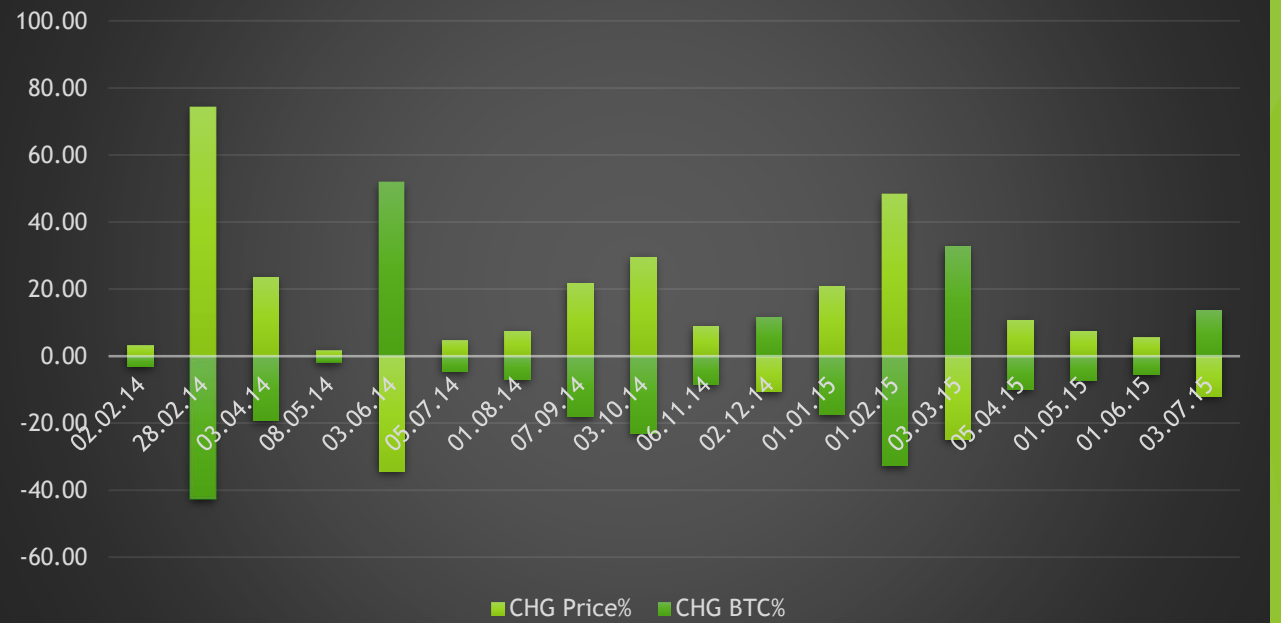
2.2 Adaptability to BTC-Exchange-Rate

Relation between Change of Price and BTC



X - CHG Price in %
Y - CHG BTC in %

SB - LSD



Resonance of Prices to Changes in BTC Exchange Rate (Average)

<u>Seller</u>	<u>Product</u>	<u>Difference if decBTC</u>	<u>Difference if incBTC</u>	
SB	20 Grams Pouch Tobacco Spice	5.20	7.31	Cannabis
SB	LSD	4.95	7.22	Psych
SA	1oz Purple Kush AAA BC Indoor	4.15	12.85	Cannabis
SA	1oz Jack Haze AAA Indoor BC	2.09	17.66	Cannabis
SA	Magic Mushrooms Cubensis	4.51	3.70	Psych
SC	1g Indian Traditional Malana	5.56	6.24	Cannabis
SD	Indian hand rubbed Charas	14.30	5.43	Cannabis

2.3 Cross-Market Pricing

- Three sellers on both markets (2 in cannabis and psychedelics)
- Same products (except for one seller with a wider product range on DM)
- No clear pricing pattern (Seller Y higher prices on DM, Seller Z lower prices on DM)

Conclusion

1. Populating the market: similar pattern; slow beginning
2. Weak correlation between change in BTC exchange rate and drug offers
3. Changing exchange rate correlates with a constant real increase in price
4. Steadiness in increase suggests limited impact of external information
5. Increasing number of positive feedback might have a long term impact
-> indicator for the incorporation of risk (on buyer's side) in the product price
6. Same product but different markets -> different prices
7. Price setting goes beyond demand

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Quality is the best recipe.



THANK YOU FOR YOUR ATTENTION!