

# Introduction

## Pricing Information Goods for Digital Libraries

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# Overview

- What are Information products?
- Competition and Pricing
- Lock-In and Switching
- Network Effects

# Information Products/Goods

- Anything that can be digitized
  - Text, books, music, video,...
  - called: *digital content*
- How do information goods differ from physical goods?
  - Production
  - Distribution
  - Demand
  - Consumption

# Production

- Cost structure:
  - Expensive to produce (high fixed cost)
  - Cheap to reproduce (low marginal cost) (e.g. DVD of a Hollywood movie)
  
- Has impact on:
  - Market structure: natural monopoly, monopolistic competition, oligopoly
  - Rights management / intellectual property: cheap for copiers

# Distribution

- Information products are digital
  - Direct distribution via the Internet
  - Delivery on demand
  - Production (copying) and delivery can be one step
- Issues: Privacy, payment, taxation, what happens to intermediaries?

# Demand

- Experience goods
  - We don't know the quality or the personal value of the good until we consume the good (touch, read, hear)
  - Can be consumed multiple times (e.g. listening to a hit single)
- Impact on the product (reputation, versioning)
- Network economics
  - The value of a good depends on the number of users. (e.g. fax machine)
- Impact on the producers' strategies (pricing)

# Consumption

- Most info. goods are complementary products:
  - Software needs Hardware
  - Electronic documents need a reader
  - Web content needs a browser
- Impact on: Standardization, compatibility, collaboration or systems competition (Lock-in and switching costs)
- Information overload: Services add value (e.g. Searching, storing, filtering)

# Digital Library

## Definition:

*Digital libraries are organizations that provide the resources, including the specialized staff, to select, structure, offer intellectual access to, interpret, distribute, preserve the integrity of, and ensure the persistence over time of collections of digital works **so that they are readily and economically available for use by a defined community or set of communities.***

Digital Library Federation (DLF) 1998



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# Goal of the paper

- Properties of the information goods?
- Best practices?
  - Public/commercial (other universities, publisher,...)
  - Case studies
- Derive strategies for ePub<sup>WU</sup>
  - Pricing
  - Versioning
  - Rights Management
  - Lock-in
  - Networks