Chapter Summary

The authors illustrate why information is a commodity like other, more traditional commodities:

- It is subject to market conditions (consumer interest, e.g.)
- It benefits from low marginal costs (cheap reproduction)
- Usually the 'creation' cost is high (but we will give examples where this is not true such as the 1M page)
- Commoditization of information is a constant threat to producers

Various pricing strategies can be applied to information:

- these strategies will vary depending on how big a threat competitors are
- the information may go through multiple pricing strategies over time

Information producers must go through the same processes as traditional manufacturers in gaining, keeping and growing their market:

- identify target customers (individuals, groups, combination)
- determine how to 'brand' the information (i.e., how to attract and keep those customers you've identified)
- estimate best price (e.g., best balance between your cost, your price, and what the customer will pay)
- keep an eye on the competition, and adjust your strategy accordingly

The ease with which information is produced puts greater anonymous competitive pressures on information businesses (vs. steel producers, for example), and attracts monopolization efforts by corporations large and small (through legal measures, DRM, Copyrights, etc.).

In short, digital information is a new market like other new markets before it – electricity, automobiles, publishing – and is subject to the same processes of market development, maintenance, and pricing.
Discussion Questions for Chapter 2

1. In what ways is the competition factor different for information industry than for other industries?

2. How can information be priced most effectively for the current market?

3. Give an example of information cost being forced steeply lower.

4. Give an example of information cost being forced much higher.

5. Can information become "priceless" in the way that more tangible assets may become (like the Liberty Bell, for example)? That is, where no price is high enough to buy it?

6. How have search engines impacted the price of information?

7. What is the future of information?