

ITR5 Information Usage

Lecture 11

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2002-04-03

Reading

Shapiro and Varian, chapter 3

Versioning

Versioning means presenting an informational product in various versions.

Let customers decide which version to buy. This will reveal information about the customer that a seller can usefully exploit.

Profits depends on the total value of the information to the customer and the fraction of that value that the seller can extract.

General versioning strategy

Offer versions tailored to the needs of different customers.

Design different versions to accentuate the needs of different groups of customers.

Example: sell the latest book of Stephen King.

important factors to manipulate for versioning

Delay

- important for strategic information.
- example: refresh every 20 minutes vs real time.

User interface

- works on differences in user expertise
- example: DialogWeb vs DataStar

Support. Example McAfee

but danger

- if support is required, product of low quality
- good support costs a lot of money

other factors to manipulate for versioning

Convenience. Example: Dialog after dark

Image resolution. Example: PhotoDisk

Speed of operation. Example: IBM printer

Flexibility of use. Example: academic journals

Capability. Example: old floppy disks

Comprehensiveness. Example: online newspaper

Annoyance. Example: nagware

Pitfalls

if the high-end version attracts low-end customers, that is good

if the low-end version attracts high-end customers, that is bad.
Then reduce the price of the high-end version and lower the quality of the low end version.

Moral: if you have a fancy new addition to your information product, make sure that there is a way to turn it off.

Important: customers must not be able to make the low-end version the high-end one.

online vs offline

- online version is good for browsing
- offline version is good for reading

Presence of online version adds value to the offline version.

It is crucial to understand if online and offline contents are

- complements
- substitutes

Example: CDs sold by Westlaw

how many versions

Market analysis is important. Who are the customers.

Product analysis is important. Consider every feature of the product.

It is best to design the high-end version first, then remove features to create low-end version.

- easier to respond to competition
- low-end version advertises the high-end version

If you can not decide, chose three.

bundling

a special form of versioning where several products are put together. Example: online version cheaper for people who buy the print version, or common women's magazines.

Bundling is common for software. Assume a willingness to pay

	<i>word processor</i>	<i>spreadsheet</i>
Toshiko	\$120	\$100
Keiko	\$110	\$120

by bundling the software, the company can make \$440 in revenue.

Bundling can be used to introduce new products. Even if it is not used, the additional software has option value.

Famous bundling case: Microsoft's per processor license for DOS.