

Information Pricing Policy: Factors and Contexts

Introduction

Information professionals can consider price from two perspectives - that of consumer (purchasing supplies or services for the library), and provider (services provided for a fee to library users). This article will consider both points of view, as well as discussing information pricing in its wider social context.

Why is price important?

Pricing plays a central role in economics. It balances demand and supply, provides an incentive for new players or products, and distributes income between buyers and sellers. Pricing has a direct impact on company profit, and on all other elements of the marketing mix. However, it is one of the most overlooked and poorly understood areas of marketing.

From an organisation's perspective, price and sales volume of its products are the single most important decisions in marketing. Ultimately, the higher the price can be raised, assuming stable unit costs and sales volume, the higher the profit. The relationship between these is represented by:

Profits = Prices x Quantities Sold - Total Costs

Price is also important in relationships with customers. Price is the value placed on what is exchanged, and the value at which a seller is prepared to exchange, and customers participate in that exchange. Something of value is exchanged for satisfaction or utility.

Why is price important in the information marketplace?

For individuals, price has a significant impact on access to information. In industry, price is associated with revenue generation. In society, the viability of organisations and their information products will have significant impacts on economics, politics and culture.

The information industry embraces publishers, on-line hosts, database producers and other service suppliers. For these organisations, price is clearly important in determining their continuing commercial viability.

Sometimes prices are charged for selected services (e.g. interlibrary loans), or price is decided by other criteria (e.g. perceived need for the information). Even then there is a value that the customer places on the service, and also a 'cost' to them in accessing the service (e.g. time and energy). This helps determine how likely they are to use the service.

Information as a Product

In order to be traded, information should be viewed as a commodity. Information is distinct from tangible resources in its nature as a product. Specifically:

- Its value is variable, depending on its contexts, its use, and time
- Its value cannot be determined in advance
- It is not consumed or lost when given to others, although its usefulness for gaining an advantage over others may decrease.
- It is a dynamic force for change to the systems within which it operates.
- It may have multiple life cycles, as ideas move in and out of fashion, making forward planning a difficult exercise

Additional factors influencing marketing of electronic information include:

- Technology - this both helps and hinders delivery and distribution of information - greater bandwidth supports information flow, but the information is inaccessible if one cannot operate the technology.
- Product Portfolios - organisations do not normally market one product, but instead develop product portfolios.
- What is purchased - this depends on the product. For instance, with market research reports compiled for a client, the client owns the information, but often the transaction is associated with limited access to information and rights of use.
- Branding and Quality - consumers may judge the quality of a product by its source, e.g., linking quality with a specific brand such as Microsoft or Dow Jones.

Competitors and Players

It is important to map out the structure of the marketplace and to study the way in which social, economic, technological and political factors are influencing information access and management. The players include a wide range of agents including libraries, information brokers, document delivery services, on-line hosts, mail order distributors, book sellers, and computer equipment retailers.

Convergence of technologies in computer, television, telephony and video will probably continue, stimulating a new communications industry, with continuing global mergers and strategic alliances. This makes it difficult to identify future revenues, and also difficult to understand sideways competition. This is important, as consumers will compare prices for products that seem to be offering a similar bundle of benefits.

Accordingly, one of the main approaches to pricing, is competition oriented pricing, where prices are set with reference to the prices of competitors. Alternatively, historical pricing involves current prices being based on last year's prices. (Customers are generally not very tolerant of significant price 'hikes'). These factors will constrain any pricing changes.

The information marketplace is also an international marketplace, and one in which customers can order products from a supplier in another country, and these products can be delivered without any delay.

Revenues of international players will depend on activity in several countries, with different currencies, stages of technological development and cultures and values. International trade and economic trends will affect players in relation to their share in those markets.

Distribution may also be important. Database producers make information available through on-line hosts or CD-ROM publishers or 'retailers', who give the product more visibility as part of a portfolio of comparable products. So producers cannot determine the final price to the consumer as intermediaries apply their own pricing strategies.

CD-ROM does, however, offer the database producer more control over the distribution process. For example, an online system may have revenues split between information provider and on-line host, but with CD-ROM, the producer may have control of product value, sales, production, billing and profit.

Stakeholders in the Electronic Information Marketplace

These include:

- producers (authors, illustrators, multi-media creators)
- controllers of content, quality and suitability (editors, referees, reviewers)
- publishers (establishes brand image and acts as interface between producers of intellectual content and distributor)
- distributors such as booksellers, web sites, on-line hosts, videotex services (ensures that information reaches potential customers and promotes information)
- archivers such as libraries or archives (maintains archival copy for later retrieval)
- re-distributors such as libraries and information consultants (make document or information available to others).
- users (information professionals) customers

Customers

Customers have a vast number of different requirements for electronic information in different forms, on different media, to different audiences, for different purposes.

Organisations normally segment a market and design their products for specific segments. Many information products and services have used segmentation to avoid price based competition, segmenting by user locality, organisation, quality or subject of their products.

Most information providers recognise that professional reference groups (e.g. information professionals and intermediaries) are under price pressure, and products are priced accordingly. Discounts are available from some suppliers such as on-line hosts for large volume users, or those who are prepared to predict and commit to high volume use in advance.

Language of publication has a significant effect on likely sales, with publications in English finding large markets and giving high and quick return on investment. For

non- English speaking publishers, this makes the learning phase longer, more costly and riskier. This situation may be affected by increasing multi-media publishing where language is less significant, but nevertheless, information and language are closely coupled and will remain an issue.

Conclusion

In general, pricing is poorly understood. Some say there is no one universally accepted theory of pricing. A number have also acknowledged the relationship between pricing and theory is at best remote, so pricing remains largely a combination of good management, experience, trial and error, intuition and luck.

There remains much scope for further investigation of practice and policy in pricing in the developing information marketplace.

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