Learning Objectives

Upon completion of this unit, students should be able to:

1. Understand how the product innovation process occurs online.
2. Recognize the two types of standards – open and de facto standards – and the implications that each approach holds for a new product launch.
3. Identify the business implications of “Internet time,” ranging from the influence of speed-to-market on price and profitability to the effect on market partners and alliances.
4. Explain how online processes can streamline the process of new product design.
5. Discuss the concept and potential benefits of modular product design.
6. Connect the importance of early feedback and swift product release to product success.
7. Recognize that pricing is a form of consumer information and, because of that, has been transformed across industries by the evolution of the Internet.
8. Describe the different ways that online information contributes to value uncertainty and impacts consumer price sensitivity.
9. Identify how purchase importance and online information contribute to price sensitivity.
10. Discuss the principles of time-based pricing strategy and recognize the influence of the Internet on approaches such as auctions, yield-management and trials or rentals.
11. Explain how the Internet has shaped personalized pricing strategies for some products and services, and the possible risks associated with that approach.
12. Be able to describe the concept of bundle pricing and how it can be employed by marketers to reduce costs, expand markets and improve performance.

Unit Summary

Unlike traditional business rivalries, competition in high-technology markets not only is fierce, but it unfolds at an incredibly swift pace. New features, new technologies and quickly evolving consumer demands force companies to introduce products on what Chapter 11 explains has come to be known as “Internet time.” It is a trend that has expanded well beyond the high-tech sector, and it is one that marketers must understand and anticipate in developing and testing new products.

The author at Chapter 11 explores how this new pace of innovation influences profits and market position, emphasizing the importance for marketers of developing a standards strategy. The chapter offers an overview of how new product development – the so-called idea funnel -- can be made more efficient and less costly through online market research and accelerated information...
systems. It also explains the benefits of modular product development and stresses importance of early feedback and rapid product release.
The number, formula or contract that constitutes the cost of a product or service is, at its most basic level, information. And the tight interlocking of information and the Internet means that pricing – one of the central tenets, and most digital, or all marketing strategies – has been broadly transformed by online capabilities. The author at Chapter 12 explores the fundamentals of pricing and online operations, explaining the Internet's influence on price sensitivity and the role of purchase importance in Internet pricing.

Chapter 12 also extends the pricing discussion to look at more complex pricing strategies available now to some industries and individual businesses only because of the Internet. Those models include time-based pricing approaches, such as auctions, yield-management pricing and sales, rentals and trials. Other approaches to online pricing outlined in the chapter include the personalized pricing techniques and product bundling.

The IETF is a standards body that has taken an unusual, but empirically quite effective, approach to standardization, preferring to see proposed standards tested out a bit in the field before they get formal blessing. In short, whenever possible, they formalize an existing de facto standard, rather than inventing a new one from scratch. The RFC process has worked well enough to produce many of the most widely used standards in the world, and IETF standards have a credibility even ISO can't always match. What makes a de facto standard good enough to formalize, or possibly so good it doesn't even need to be formalized? In the wild, you will often encounter standards, with or without the blessings of a standards body, which seem like they might be applicable to your work. Sometimes, you may find no applicable standard, but a likely partnership to create one. In this Standards and specs, you'll see a few things to keep in mind when talking about de facto standards.

First, though, to dispel a few myths: Not all de facto standards are the same. Some of them are really good. Some are really bad. Not every de facto standard represents the best possible technical decisions; not every de facto standard represents the tyranny of a proprietary despot dribbling out just enough crumbs of documentation to keep the peasants from revolting. De facto standards can be temporary kluges, or carefully considered and planned designs; they can reflect an individual's vision or a committee's indecision. In short, it is dangerous to treat them as interchangeable.