



Axiom 8

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Axiom 8 - Differentiation of Products and Pricing

The high first-copy costs of information and information technology inevitably lead to price and product differentiation (Shapiro and Varian, 298).

Information is costly to produce but cheap to reproduce therefore you must price your information good according to consumer value, not according to your production cost (Shapiro and Varian, 3).

Virtual communities are turning market dynamics upside down by creating "reverse markets" - markets in which the customer, armed with a growing amount of information to search out vendors offering the best combination of quality and price tailored to his or her individual needs. In fact, the ability to access more information and thereby extract more value from vendors will ultimately be one of the major incentives drawing members into virtual communities (Hagel and Armstrong, 17).

In the system, because of the potential diversity of contents, the message is the message: it is the ability to differentiate a product that yields the greatest competitive potential (Castells 1996, 368).

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