

Innovative pricing

The principle of firms

Pricing base

- Cost
- Revenue

$$\text{Revenue} > \text{cost}$$

property rights

Find an effective base for pricing.

- Quality, quantity and price

Innovative pricing

Innovative product:

- Increasingly intangible
- More complicated
- Parts of product being easily accessible for free
- Property rights problem
- One dimension of product is variation

Innovative pricing

Examples

- Lighthouse
- Bridge + toll booth
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Everything is possible—competition

Redefine their products to adapt the changed market.

An empirical study

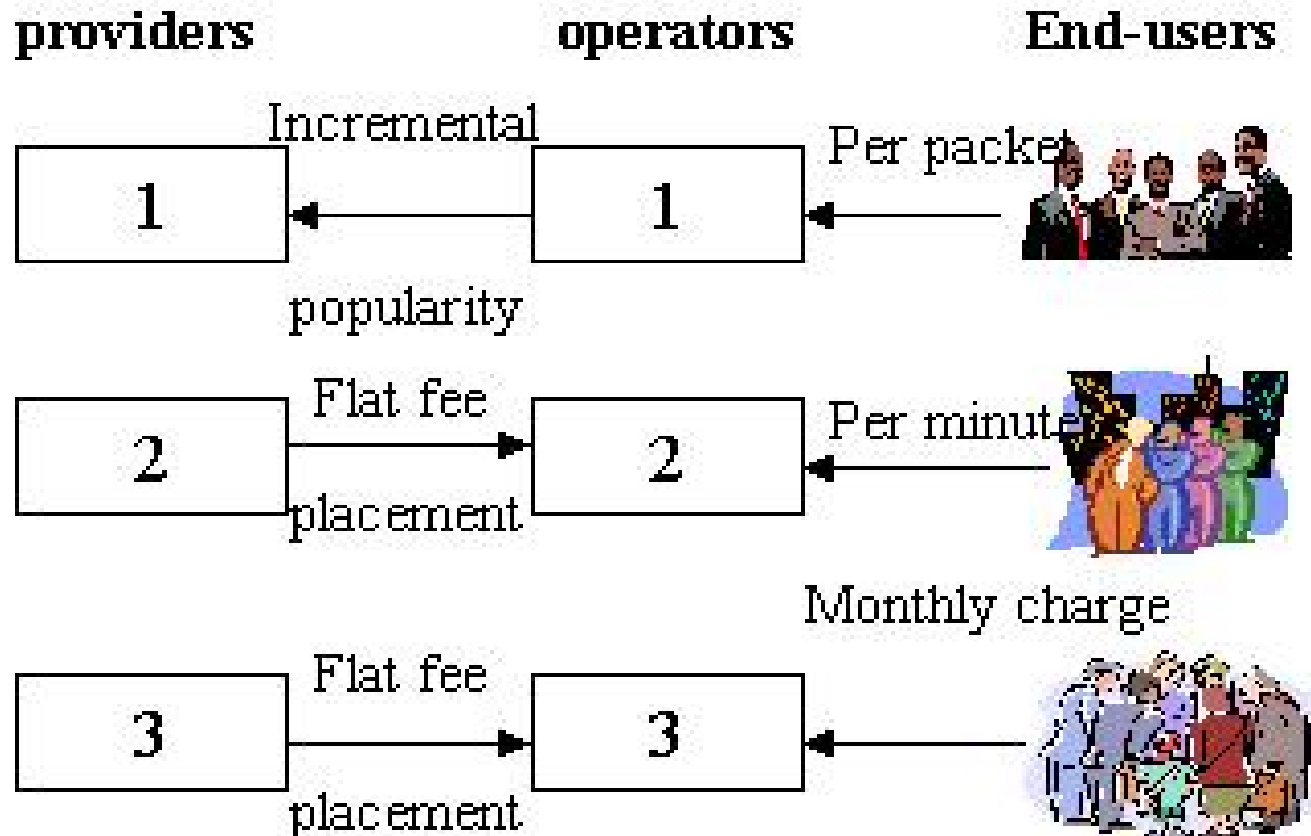
NTT DoCoMo (in JPY)

	<5	5-10	10-15	15-20	20-30	>30	Average	NTT billing
I-mode	16%	47%	21%	11%	3%	2%	11295	10833
Potential	39%	46%	10%	5%	0%	0%	7544	8250

	Regular voice	Additional voice	Data traffic	Service charge	Billing	Content
I-mode	8250	1320	891	300	11	111
Regular	8250	0	0	0	0	0

	Gender		Age		
	M	F	15-24	25-34	35-49
I-mode	47%	53%	46%	36%	18%
Potential	49%	51%	49%	27%	24%

Innovative pricing effects



Conclusions

- Pricing becomes an act of innovation.
- Sharing the pricing information lowers the business risk for both parties.