

Chapter 5

IDM Products vs. Services: A Comparative Analysis

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ABSTRACT

In today's increasingly competitive market, marketing a product or a service is getting tougher than before, especially in the industry domain of interaction digital media (IDM), which produces completely different types of digital goods. Knowing the key differences between them is vital, as it will allow IDM companies to position resources more effectively. Moreover, it will help get more profits from investments. Unfortunately, research done on this topic is still rare and inadequate. This chapter aims to give a comparative analysis between the digital products and services study from the perspective of marketing, in a bid to better understand their differences and similarities. The comparative analysis is divided into different stages according to the new digital goods development process. We use two case studies to support the points of view: WSJ.com and PayPal. Directions for future research are discussed at the end of this chapter.

INTRODUCTION

A good marketing plan for every company is undoubtedly significant to the success of their business. It helps to ensure that the company reaps

the most optimum benefits in the shortest possible time with minimal expenditure. In today's increasingly competitive market, however, marketing for a product or a service is not an easy, and this gets tougher especially in interactive digital media (IDM) industry.

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IDM products used to be easy to differentiate by quality. However, due to improved information technology, most products can meet acceptable quality levels. IDM services are more competitive and therefore require a good enough reason to be purchased by consumers. Thus, the company needs to have different approaches and plans to marketing products and services. Looking at the comparative analysis between digital products and services before launching a business can help companies improve their commercial success rates in the future. Knowing the key differences between the different kinds of marketing will allow IDM companies position resources more effectively to obtain more returns from investments.

Unfortunately, we found that previous research on this topic is still rare and inadequate in the IDM domain. In order to better understand their differences and similarities, this chapter aims to give a comparative analysis between the digital products and services study from the perspective of marketing. And the comparative analysis is divided into six stages according to the new digital goods development process (see Figure 1): user study stage, productizing stage, pricing stage, distribution stage, promotion stage, and selling stage. In addition, to support the points of view in this chapter we will use two case studies: WSJ.com and PayPal. Directions for future research are discussed at the end of this chapter.

BACKGROUND

Varian, H. (2000), among others, defines digital products which can be transmitted via the Internet, as essentially information products. Digitized books, pictures and online newspaper are good examples. Digital services, on the other hand, are defined as information which can be processed over the Internet. This includes services that provide access to useful resources like server connections as well as online utilities that assist users in accomplishing specific tasks. Online banking and security transactions are example of such services (Wang, 2001).

The largest and most respected paid online newspaper subscription is World Street Journal (WSJ). It focused on selling subscription as well generating advertising revenue from their print version. In 2005 itself, WSJ has more than 712,000 paid subscriptions in the United States only and 60% of their paid subscription is not subscription to the print version (Scott, 2005). Since it was bought over by News Corp for \$5.6 billion, they increased free content as well as video clips which are being supplied from News Corp's Fox news television channel (Red Herring, 2008).

PayPal is a popular method of payment on the Internet, used for person-to-person payments by more than 1.5 million business websites. By 2002, PayPal had more than ten millions accounts (Prabalad, 2002) and in 2008, PayPal had more than sixty millions accounts with accounting for 9% of global online commerce (MarketWatch,

Figure 1. Framework for comparative analysis of the IDM products and services



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