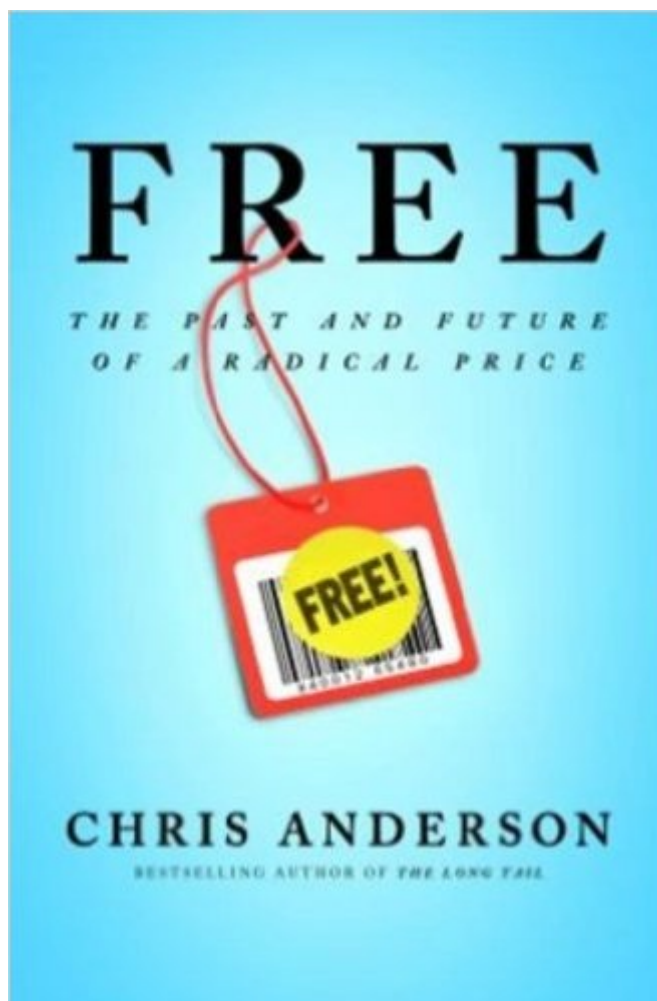


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# Free: The Future Of A Radical Price



## Synopsis

The New York Times bestselling author heralds the future of business in Free. In his revolutionary bestseller, *The Long Tail*, Chris Anderson demonstrated how the online marketplace creates niche markets, allowing products and consumers to connect in a way that has never been possible before. Now, in *Free*, he makes the compelling case that in many instances businesses can profit more from giving things away than they can by charging for them. Far more than a promotional gimmick, *Free* is a business strategy that may well be essential to a company's survival. The costs associated with the growing online economy are trending toward zero at an incredible rate. Never in the course of human history have the primary inputs to an industrial economy fallen in price so fast and for so long. Just think that in 1961, a single transistor cost \$10; now Intel's latest chip has two billion transistors and sells for \$300 (or 0.000015 cents per transistor--effectively too cheap to price). The traditional economics of scarcity just don't apply to bandwidth, processing power, and hard-drive storage. Yet this is just one engine behind the new *Free*, a reality that goes beyond a marketing gimmick or a cross-subsidy. Anderson also points to the growth of the reputation economy; explains different models for unleashing the power of *Free*; and shows how to compete when your competitors are giving away what you're trying to sell. In *Free*, Chris Anderson explores this radical idea for the new global economy and demonstrates how this revolutionary price can be harnessed for the benefit of consumers and businesses alike.

## Book Information

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## Customer Reviews

Starred Review. In the digital marketplace, the most effective price is no price at all, argues Anderson (The Long Tail). He illustrates how savvy businesses are raking it in with indirect routes from product to revenue with such models as cross-subsidies (giving away a DVR to sell cable service) and freemiums (offering Flickr for free while selling the superior FlickrPro to serious users). New media models have allowed successes like Obama's campaign billboards on Xbox Live, Webkinz dolls and Radiohead's name-your-own-price experiment with its latest album. A generational and global shift is at play—those below 30 won't pay for information, knowing it will be available somewhere for free, and in China, piracy accounts for about 95% of music consumption—to the delight of artists and labels, who profit off free publicity through concerts and merchandising. Anderson provides a thorough overview of the history of pricing and commerce, the mental transaction costs that differentiate zero and any other price into two entirely different markets, the psychology of digital piracy and the open-source war between Microsoft and Linux. As in Anderson's previous book, the thought-provoking material is matched by a delivery that is nothing short of scintillating. (July) Copyright © Reed Business Information, a division of Reed Elsevier Inc. All rights reserved.

Although Chris Anderson puts forward an intriguing argument in this cheerful, optimistic book, many critics remained unconvinced. They praised his engaging writing style, his amusing examples and anecdotes, and his clear explanations of complicated concepts and technologies, but they still questioned his conclusions. In addition to Anderson's own admission that YouTube -- one of his chief examples -- has been a financial black hole for Google, reviewers cited their own examples of industries that seem to run counter to Free's generalizations, such as broadcast television's fiscal struggles in the face of premium cable's expansion. Though some trends seem to point in the direction of Free, the jury remains out for the present.

In his Book Free: The Future Of Radical Price, Chris Anderson discusses why he believes that "Sooner or later, every company is going to have to figure out how to use free or compete with free, one way or another." He illustrates, that while in the past consumers were leery of so called free goods or services, modern day consumers have grown to trust the notion of receiving a service gratis. This shift in consumer sentiment corresponds with a gradual shift from the 20th century "atoms" economy to a future 21st century "bits" economy. In the atoms economy, free services must be paid for or subsidised by someone or something else. However, in the bits economy, where the cost of reproduction is marginal, computer processing power is constantly improving, and the

primary economic inputs are intellectual and therefore inexpensive, products truly can be free. Furthermore, Anderson claims that as this trend continues, consumers will begin to expect to receive more and more products for free. Firms will be forced to discover new ways to provide their services for free, or run the risk competing against competitors and individuals who will make the same goods and services readily available at a fraction of the cost. I personally thought that Free provided thoughtful examples of unique strategies individuals and firms can implement in order to be successful in a rapidly growing digital economy. Anderson utilizes a number of examples ranging from Jell-O giving away free recipe books to Nine Inch Nails allowing fans to download their entire album for free; to illustrate how not charging for certain services can create more value through other revenue channels. While I believe that Anderson stated a lot of obvious facts and common business practices, I found his explanations of how certain products can be free to be very informative. I think that the process of providing free trials, selling premium versions of software, and creating new medias for advertisers to reach consumers will likely continue to evolve. However, I do not think free will be as prevalent as Anderson implies. Many of the tangible products Anderson used to emphasize his points were second rate and rarely best in class. Even when consumers could receive the products Anderson highlighted for free, few, if any of the physical products were actually sales leaders in their respective markets. Consumers will always desire brand name premium products, and will likely pay the extra money to obtain the products they truly desire. While more and more products will be made available monetarily free, consumers will have to consider what else they are sacrificing when they opt for the free product.

I have had this book awhile and, really kick myself for not reading it sooner. It is outstanding. Anderson is able to debunk all the chestnuts out there around free as well as spend the time to give you some history lessons on free. He also experimented with his own ideas on how to place the product out there for free using various methods he put forward. Very insightful stuff . I especially appreciated his 10 Rules of Free on pp 241 and the review of the range of conversion rates one can expect from freemium on pp 247. The key insight for me is his comment ( compressed and paraphrased by me) that: Price will fall to the marginal cost (in the digital bits case, free) unless the provider has a monopoly and/or enjoys the network effect such as Microsoft (Office docs) and Facebook. This supports a winner takes all effect, driving competitors to very low numbers. Facebook can not charge for new members because it has value in the network = linking new people all the time. So they will generate revenue from scale - losing with 99 % of the users and making it from a small % of ad revenue. ( or perhaps - selling stock!) I see that Guy Kawasaki and

Tim Ferris both used ideas from Anderson in their recent promotions. Guy generated more "reputation" currency by offering free downloads of the Macintosh Way to people who "liked" his new book facebook page. Tim Ferris drove buys of the new 4 Hour Body , by offering a pdf of the 4 Hour Workweek to those who bought the new book. Tim drove his book to the top of very quickly = increased sales and reputation. This is the best treatment of free and freemium out there. If you buy this very readable book, read and digest it. It contains numerous money making ideas. Do not treat it lightly! You can get the audiobook still free at Chris' blog (long tail) :

In his book "Free: The Future of a Radical Price," Chris Anderson sheds light on an interesting transition in the marketplace. By giving away something for free, the result will be continuous purchases to supplement this "free" product. Anderson highlights how this model began with disposable razors and has been adapted to today's products such as video game consoles/games, coffee makers, and cell phones. Now the web is driving more and more products to become "free." We are seeing free products popping up all over the internet in terms of music and movies. Google services, such as GMail, are all free. Anderson does a great job of explaining how an application that is digitally based is inevitably headed towards being free. Customers expect these services to be free once they are initially produced. This is because they are easy to replicate once introduced. Anderson makes it hard to argue that this is just a passing fad or simple phenomena. You can see how so many technological based services are moving towards free. Overall, this was a nice read and I was engaged throughout reading it. It was also a quick read and not very dense. It is definitely made for enjoyable reading on the train rides to work. I liked the fact that multiple models were discussed about how the free concept can be implemented. This could be a valuable read for someone with a small startup business or a business along those lines. In the end, I think that it is worth a read. The information is entertaining and the research examples cover a broad range of industries.

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