

# **BOOK REVIEW:**

## ***Information Rules***

**By Carl Shapiro and Hal Varian  
Harvard Business School Press, 1999**

**Reviewed by Ken Krechmer**

Information Rules was written by two professors of business and economics at the University of California, Berkeley. It was published in 1999 at the height of the Internet boom. The first six chapters, aimed at information providers and users, explain how to present and promote information to maximize economic gain. In the process, these chapters do a good job of explaining basic economics terminology as it applies to information based products and services. Unfortunately, the first six chapters also consider the information customer to be a poorly informed statistic (e.g., when differential pricing is offered) easily manipulated to maximize commercial economic gain. This view is likely an artifact of the time when this book was written.

Starting with Chapter 7, Networks and Positive Feedback, Information Rules becomes a far more useful book. Chapters 7- 10 provide a broad understanding of how network standards (for compatibility) create positive feedback that expands markets and impacts lock-in. The positive feedback created in networks is expanded into several models that make strategic planning of information products (both use and development) much clearer. These models are well thought out with sufficient business cases to make the issues and approaches understandable. Chapter 7 also includes a useful discussion of the strategic importance of "openness," although a full view of all the aspects of openness is not explored.

Chapter 8, Cooperation and Compatibility, and Chapter 9, Waging a Standards War continue the development of the authors view that standardization of interfaces is a vital part of the strategy of any information driven company. The authors offer good examples and examine multiple communications "standards battles." The concluding Chapter 10 offers a business view of the legal issues of participating in standardization committees with an emphasis on the value of such participation.

This is a far better book about standardization strategies than about business strategies. The authors do not differentiate sufficiently between the multiplier effects of similarity standards and the network effects of compatibility standards. And the strategic importance of adaptability standards is not recognized. But these omissions do not detract from a very clear and useful exposition on how to maximize the commercial value of standardization activities. The last four chapters should be required reading for everyone active, or planning to participate, in communications standardization committees, either formal or consortia.

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