Delinkage of R&D costs from unit prices: non-pharma industries

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Marginal vs total cost
Problem with infinity

• Where marginal production costs approach zero, recovering initial costs through pricing at the margin is a misalignment of costs and prices

• Dependent on state-granted monopoly rights, consumers feel unit pricing is unfair, don’t see unauthorized copying as theft, etc.

• Nothing natural - just one business model
20 years in software

• Proprietary software sales —> mainstream open source

• Business models have moved away from unit priced software sales

• Software producers are still very profitable
Top software producers

Market cap as % of top 5 IT firms

1996

2015

Software sold with unit pricing

Software distributed without unit pricing