Introduction of Software Products and Services Through Public Beta Launches

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Introduction of Software Products and Services Through Public Beta Launches: Mehra and Shrimali

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- **Objective of this paper:** Provide theoretical foundation for public beta launches.
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**Advertising Model**
- If costs savings from user testing is high enough, a beta launch is optimal.
- For advertising model to do better than pricing (with beta launch), quality of beta launch must be higher.
Discussion I: Putting in context

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  - Optimal price path for new product dependent on consumer preferences (valuations, risk attitudes etc).
  - Pricing problem for consecutive generations of a product.
  - Word-of-mouth effects on adoption: (Horsky 1990: skimming when word-of-mouth effects are weak.)
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- Also, related to literature on technology adoption with externalities.
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  - Dogan et al: Studies how market demand uncertainty and production costs endogenously determine the functionality of a product (software) over time.

- This model addresses both marketing effects and development costs.
Discussion III: Some more thoughts

Some points to think about...

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  - Differing levels of risk aversion?
  - Different preferences?
  - Consumers arrive at different times?
Discussion IV: Some more thoughts

- Related issue: In reality, experimenters are uncertain about quality, and the effectiveness of word-of-mouth (proportion of imitators attracted) depends on the observed quality.
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- Why do we see limited beta releases of products? (In this model, by assumption.)
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