ELECTRONIC INFORMATION ON CD — A PRODUCT OR A SERVICE?

by Stephen Arnold
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The compact disk has "revolutionized" the information business. One important plus for CDs is that they make information touchable, unlike online information services. The CD makes data once again into a tangible product.

What does an academic library purchase when it subscribes to Compact Disclosure? Is it the financial information for 10,000 public companies, unlimited "searching" without connect charges of the information, the disk containing software and data, or the product as physical proof that the library is embracing an important new technology?

When someone buys car wax, the motive for the purchase is well-defined. On the other hand, the use of information on Compact Disclosure has greater scope. In fact, the library purchaser may not know to what uses the information product may ultimately be put.

It's obvious that the electronic information product (EIP) poses some complex problems to prospective customers, purchasers and ultimate users, as well as to the creator, seller or repackager. What only a handful of information companies recognize is that an EIP is a hybrid, an amalgam of technology, software, data and applications. What gives EIPs their interesting qualities is their chameleon-like characteristics of both tangible products and intangible services.

EIPs are hard to explain because what the product is, depends upon the particular viewpoints of the sellers, buyers and users. Explaining an EIP is similar to interpreting an abstract painting. There are as many possible interpretations as there are interpreters (see Table 1).

IS INFORMATION A PRODUCT OR A SERVICE?

Electronic information is neither a product nor a service. An EIP sometimes has characteristics of a tangible product and other times of an intangible product. One side of information is its tangible characteristics. It is easy to demonstrate the hardware, show the printout of a company's balance sheet and describe the technology which allows one CD to contain a complete encyclopedia! We struggle with the intangible side of information, particularly its use, comparisons with other similar products and its quality.

The issues arising out of the dual nature of electronic information will not be resolved quickly. EIPs represent a new class of products which include databases, software, computer operating systems, digitized credit data, real-time financial transaction data, etc. We need to recognize the special requirements of EIPs and we cannot follow the marketing truisms for tangible products like cosmetics and intangible products like insurance. But as obvious as this statement seems, few people in electronic information businesses accept the unique nature of CD information products.

What determines whether the information product wears its "tangible" or its "intangible" hat? One obvious factor is the customer's knowledge of the information and its applications. If a well-known print information source becomes available in electronic form, the transition to the new delivery technology can be shaded toward the tangible end of the spectrum. But if the information is unknown to the customer and is delivered by a technology new to the customer, the information product tends toward the intangible end of the spectrum.

What adds to the complexity of information products is the approach taken by the person "selling" the product. The individual may feel uncomfortable explaining the intangible aspects of the information product and fall back on the tangible, without regard to the customer's need for a different view of the product.

On the other hand, the marketer can focus exclusively upon applications of the information, ignoring the customer's lack of knowledge about how to get information out of the system.

Information marketers often leave behind them a wake of confusion, distrust and customers unwilling to try different electronic information products (EIPs).

Also, the need for information is situational and varies seasonally, by type of organization, price and time available to obtain the information. Sophistication is required to understand electronic products, make them work, differentiate among them and apply them to a problem. Even a seemingly well-defined information market segment like special librarians in *FORTUNE* 1,000 companies employs individuals at different points on the learning curve.

Therefore, CD information products require the impossible-simultaneous relationship selling and features-advantages-benefits sell-

ing. Education (training) is essential in marketing EIPs. Support can be provided to help the customer have a positive experience with the information product, and help if the EIP fails to meet the customer's needs.

The cookbook of recipes for the successful marketing of EIPs has not yet been written. The information industry is still in the process of discovering how to explain what it does and how the products solve the customer's problems. The "selling" of information demands a portfolio of techniques, exceptional listening skills and flexibility. In the process, the information industry is pioneering a new type of marketing. If one reflects honestly on what has been accomplished since 1980 in the marketing of EIPs, one word sums up our achievement, *confusion.*

Consider the Datext CD information product.

Datext offers on a regularly-updated CD, business information from **ABIIINFORM, PROMT, DISCLOSURE** and several other business databases. The purchaser of the Datext product can select an industry area-Consumer Goods & Services, Health Care, Transportation & Utilities, for instance-and/or receive a selection of data relevant to those topics from the various databases participating in the Datext project. Among the notable features of the impressive Datext product are the menu access and the formatting of the CD's data to be manipulated with Lotus 1-2-3 or MultiMate software.

But what is Datext really selling to corporate planners and libraries? The corporate purchasers are not likely to be familiar with such databases as ABIIINFORM, PROMT or DISCLOSURE, but are familiar with the type of information contained in the databases. A prospective buyer in a planning department will probably have more interest in making the CD product work; that is, the software, hardware and price.

A corporate librarian, on the other hand, will know the database products and will be interested in the scope and depth of the information, updating frequency, the retrieval software's power and the price.

Datext, according to the March 3, 1986 issue of *FORTUNE,* is hoping "the investment will give (the firm) an early lead in the rapidly growing business of using laserdisks for storage and retrieval." Datext itself is using the CD product as a demonstration of the company's ability to provide CD services to other organizations. The Datext CD product functions almost like a high-tech marketing brochure.

Information products which have a tangible form can be "positioned" with freedom and creativity unconstrained by the physical nature of the product itself. Let's face it, there are only so many ways to use car polish; there are almost unlimited ways to use information.

CHARACTERISTICS OF TANGIBLE PRODUCTS

Tangible products are those which can be touched, smelled or eaten. Their overriding sales advantage is that the purchaser gets something for his money. The CD information product has striking similarities with toothpaste, food or a spark plug. Consumers generally understand the pricing of tangible products; for example, retail or wholesale, credit or cash.

INTANGIBLE PRODUCTS

Intangible products-like consulting, group therapy, insurance and financial planning—are fuzzy. The "service" provided by American Express, Diner's Club, VISA and Mastercard seems to many as homogeneous. To differentiate the products, issues unrelated to the service are introduced; for example, Gold Cards, memberships, automatic accident insurance, reduced interest rates because of membership in a trade association, etc.

But what people "buy" with an intangible product is, of course, the delivery of the actual or perceived primary service *plus* a relationship. I think of this as the "feel" of the people or organization delivering the service. If a "service" has a brand identity, it is the result of experience, perceptions and the reputation of the service deliverer. Traditional advertising cannot, by itself, sell a service's brand identity.

Intangible products lack the retail-wholesale, cash or credit pricing of tangible products. We pay for services in many ways. For example, some bank services are "free"; that is, customers don't see themselves paying for automatic teller machines with increased service charges or interest rates. Lawyers charge on a time-and-expense basis or for a percentage of the settlement. Consultants bill both on a fixed-fee basis or the lawyer's time-and-expense model. Stock brokers "earn" a commission on each transaction.

Because of the fuzzy nature of the product and the pricing policies, selling intangibles pivots upon the buyer-seller relationship. The "hard" sell comes into play only after the preliminaries have set the stage with "informal" conversation, appropriate education of the prospect and easy-to-understand differentiation of the competition.

One consulting firm's charm school-the name given the training program for all green consultants-emphasizes knowing the prospect's likes, dislikes and needs; building trust

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with the client; showing how the home team is a better choice and showing the benefits in hiring the home team.

Such an approach requires regular, personal interaction with the customer. The relationship educates the customer about the service and smooths any problems which may arise in the delivery of the service.

WHAT ARE WE SELLING?

Libraries are embracing the CD technology with increasing fervor. IAC's InfoTrac is said to draw long lines of users in more than 300 libraries. One CD-based cataloging system is said to have more than 1,000 installations two years after rolling out the CD product. It's estimated that one-third of the database producers have CD products in development.

What are libraries buying when they purchase a CD product? The reasons for purchase include:

- Fixed cost access to information (Info-Trac, UMI's CD products)
- Reduction in online search costs **(ERIC, PsycINFO)**
- Save staff time (cataloging products, databases on CDs)
- Desire to learn about technology (any CD product)
- Improved access to online (DIALOG's seamless connection between a historical CD and the online file for current updates)
- New services to patrons (Datext, Disclosure).

What are the database producers selling when they market a CD product?

- Reduced costs to the customer (or increased revenues to the database producer)
- Unlimited access to valuable data (or a subscription based product with predictable and renewable revenue each year)
- Advanced technology (or a dissemination technology that is cheaper than printing a book)
- Greater service to the user (or a foolproof way for the database producer to eliminate costly training and customer service activities).

In terms of CD-based information products, answer these questions: Is the online service with a CD product marketing information or access? Is the database producer marketing the SEC documents, convenience, cost reduc-

tions? Is the repackager marketing information, specific databases or the capabilities of the organization to make CDs? Each of these companies markets what sells in a particular situation.

The result of marketing EIPs is confusion, and it is increasing rapidly.

Much of the confusion will be eliminated with a good, old-fashioned price war. CD prices have dropped and will continue to plummet for the foreseeable future.

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DAWN IS COMING

In the next five to seven years, the marketing of EIPs will have success stories which others can emulate. CD access to information will be institutionalized in the schools. More people will make electronic information part of their daily routine.

Between now and then, however, the marketing fuzziness we live with will increase. The short-term will give us:

- Conflicting marketing for similar products. One company will sell its information as a tangible product; another competing company will market its information as an intangible. Customers will struggle with differentiation.
- Product volatility with new products coming at a faster and faster pace packaged with different twists and technologies.
- Rapidly fluctuating prices. The vulnerable will cut prices, leading to some bargains, but the winners will have lessened price sensitivity and will raise their prices.
- Delivery technologies will be driven by technology, not by customer needs. Therefore, some technologies will greatly simplify access to information

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but sacrifice power; other technologies will grow in complexity because new capabilities can be used.

- The emergence of optical filing systems as information tools for information producers and information consumers.

- Increasing confusion about who offers what, delivery technology, pricing, applications and value.

Paraphrasing one football announcer, "The information business isn't what it used to be and it never was."

TABLE 1
## A COMPARISON OF THREE PRODUCT TYPES

PRODUCTS	SERVICES	EIPs	EIP CHALLENGES
Tangible	Intangible	Tangible and intangible	Customer must see both delivery method and information
Retail and whole-sale prices	Fixed price or time and materials	Retail, wholesale, time-or usage-based prices	No standardized pricing methodology; complex; varies by delivery technology, not by information type
Brand loyalty	Relationships	Relationship leads to brand loyalty	Brand loyalty may be tied to a delivery technology, not the information or vice versa
Features, advantages, and benefits sale	Consultative sell with emphasis on education and differentiation	Require education about both information and delivery technology	Difficult to determine how to start the sale
Instruction for use of the product is minimal or not necessary	Training provided as part of the consultative sell	Instruction almost mandatory in how to use the product, what the product does, and other applications the information may have	"Education" needs of the customer vary through time
Little or no personal attention after sale is made and warranty expires	Continual interaction with the customer	A broad spectrum of customer support activities are necessary	Customer support is costly
Product failure immediately apparent	Product failure hard to determine; "failure" is relative	The hardware fails like a consumer product; the data fails like a consultant's service	Almost impossible to explain what went wrong without appearing to blame the customer or the delivery technology or the data

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TABLE 1
A COMPARISON OF THREE PRODUCT TYPES (continued)

PRODUCTS	SERVICES	EIPs	EIP CHALLENGES
Specific markets can be researched, needs identified, and a product created for those people	Fluid markets, driven by external circumstances like government regulation an unexpected development, etc.	Specific markets are unstable with fluid needs	Matching customer need with application of online information is difficult
Product sold through advertisements	Services sold through relationships and word of mouth	Information sold through a range of techniques; no one technique will work consistently	Each customer must be sold as an individual, a problem not confronting the maker of soap; brands sell to a class of consumers; information sells to individuals
A product has mass and substance and a useful life related to its primary use	A service has no substance; it is a knowledge construct	Information exists within a delivery technology; depending upon the point of view taken by seller or purchaser, "information" can be either tangible or intangible	Explaining the multi-faceted nature of information

The above table is a comparison of three product types summarizing some of the principal differences between products, services and electronic information products.
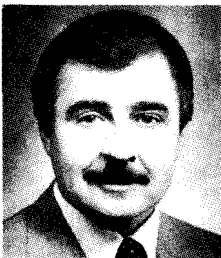
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