The Joy of Six:
Internet Content Revenue Models

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Arnold Information Technology

The Internet has been like Mount Vesuvius. For many years—almost three decades in fact—the "Internet" simmered and smoked. Then, without warning, the top blew off the mountain. Life changed. In Pompeii in 79 A.D., the consequence of the eruption was the burying of those caught in the maelstrom.

In 1994, when Mosaic downloads began clogging ftp sites, many senior managers in the "traditional" online industry found themselves buried in ash almost overnight. From a million commercial online customers in the mid-1990s to today's estimated 150 million online users, the general consensus is that the information world changed.

That change is fact. What changed, however, was the technology. Proprietary became something to avoid. Open architectures, particularly in network "plumbing" made it possible for anyone to create content. For a number of years, the sweat and time required to create content seemed to outstrip the need for financial payback.

As gigabytes and terabytes of digital information became available to anyone with an Internet connection, a modem, and some graphical, easy-to-use software, new industries exploded. For mainframe-anchored, commercial online information companies, the small, stagnant world was populated with 20-somethings who wanted to use content to sell automobiles or computer gear. "Content" offered as a stark and lonely, expensive product was a loser in many Internet entrepreneurs' eyes. After the Internet explosion, a few big online companies escaped with their lives. Not all of the survivors are healthy, not all are expected to survive. The new ecology is different from the lofty club of the command-line era of controlled vocabularies and Boolean logic.

The diagram "Magnetic Force of Deals, Discounts, and Low Prices" depicts how users are drawn to what each user perceives as "the lowest acceptable price" for an information product or service. What has recast the online information industry is the customer's perception of "free information." Companies able to derive revenue with content as a magnet have an advantage over companies selling information in

Magnetic Force of Deals, Discounts, and Low Prices

and of itself. In May 1999, the Financial Times quoted a senior manager of a London-based forecasting group: “From the consumer’s point of view, it’s not so much trying to save money because we have to. It’s trying to save money because we want to beat the system.” [1] .

Six years after the event we can survey that landscape and pick out some prominent features. Of particular interest is the architecture for making money from information. Despite the attempt to monetize the Internet, much of the “content” seems to be free, particularly to Internet novices. The costs are there, but they are either paid by someone else or buried in other types of revenue generation schemes. *Free* is a difficult word to define. In terms of access to documents and increasingly music and pictures, free denotes “not costing or charging anything.”

Show Us the Money

Within the broader Internet arena, business models have emerged that seem to make sense. One of the most talked about innovations was the “group buying model.” In addition to Mercata, there are a number of variations on the approach. The idea is that as more people commit to buy a particular product, the manufacturer offers a greater discount. The customer can buy at whatever price points seems reasonable to him or her at any time during the offer. Those waiting until the lowest price is achieved can save 10, 15, or more percent off retail prices. When the supply of "on offer" products has been exhausted, that product special is closed.

Intranets have adopted similar "bulk buying" deals. Large manufacturing concerns like General Motors and Ford are moving toward aggregation of orders in order to obtain the best possible prices for the firm and its affiliates. Affinity groups seem to be natural places for economies of scale to offer "members" or "participants" a chance to take advantage of discounts not usually offered to smaller organizations.

Business models garner more attention from potential investors than technology, although technology remains important. The reason is that some investors are getting skittish as the long run-up in U.S. stock prices for Internet companies continues. Before plonking down hard cash, angel investors and institutions are asking, "How are you going to generate fast revenues?" and "What's your business model for building and increasing revenue?"

Hard answers are difficult to come by in the world of tangible products. Amazon points with pride to the "profitability" of its book sales. Investors look at the seven figure shortfalls each month and hope that the highly touted firm can turn red ink into black before the bubble bursts.

What about Information?

There are some notable successes in the sale of electronic information. Thomson's electronic financial information unit, according to the company's financial reports, seems to do well. Thomson is a $7 billion, diversified information company. The numeric and analytic data sell at a variety of price points, including:

- Institutional licenses with sometime complex agreements involving reuse, in-kind services, and royalties that the firm keeps under wraps
- Distribution deals with commercial online vendors like The Dialog Corporation and Web operations like Northern Light.

- Direct subscriptions at price points ranging from $30 per month to stratospheric prices for various combinations of numeric and analytic data. Within reach of average Internet users is Thomson's investment site at http://www.thomsoninvest.com.
- Deals abound according to sources requesting that their remarks be off the record. Consequently it is difficult to know about click through, advertising, backlink, and other revenue streams the firm's many services support.

Other firms with a similarly rich approach to generating revenue include John Wiley & Sons and its German subsidiary VCH, Wolters-Kluwer, and Morningstar.

Can start ups and lesser known firms emulate these success formulas? Companies that have a range of revenue generation schemes are easily identified. Consider these six firms.

- The Dialog Corporation teeters on the edge of insolvency. Last minute heroics of the management team have kept the doors open. Brash plays for Internet commerce, spidering of Intranet content, and deals with Japanese keiretsu have not stopped the substantial losses.
- Northern Light, the free and for-fee service preferred by professionals, seems to be generating more media coverage than revenue. Clustering, special collections, and SDIs (selective dissemination of information) on hot topics may not be enough to make the service a winner. Paying for government data continues to annoy some online customers.
- Global news power Reuters generates more revenue from its Greenhouse investment arm than from its online information service. Reuters and Dow Jones teamed to create the IPO-aimed Factiva to turn a sea of red ink into an anticipated flood of Internet riches. In February 2000, Reuters Plc chief executive Peter Job said: "The Internet has the tendency to reduce prices in general so it is prudent to imagine over time that some part of the saving will at some time go back to the customer." [2]
- Powerize, a highly regarded content provider with a clever business model, elected to delays its IPO. No cause was given in the firm's SEC filing documents. Analysts (professional and amateur) opined that management wanted to ramp revenues in order to boost the share value.

- Alta Vista, one of the Internet search engines, has revised its business model with increasing frequency. The firm lost the coveted Microsoft account and has recast itself into a "portal." The service is looking to generate revenues from as many sources as possible.
- Disney's Go network has suffered a series of legal and financial setbacks. The former Infoseek is undergoing continuing evolution as the management team strives to find a winning formula. Go is repositioning away from the general portal fray and seems to be struggling to craft an identity and business model.

There are some winners too. The table below captures some of the features of financially successful online information companies. The reader may have different criteria for success, of course. What these firm's share is a strong commitment to content and a positive cash flow:

TABLE 1. Success Equations for Online Information Companies

Company / Organization	Service	Selected Revenue Streams
AOL Time Warner	A wide range of grassroots and branded content.[a]	Base subscription fee with many opportunities for buying value-added services which generate direct payment or commissions.
Broadvision	Comprehensive Intranet and e-commerce toolset	License and service fees for building an infrastructure that can load, search, and vend a customer's internal and external content
Rowe.com	Back-office services	Content available as a complement to the back-office services. License and pay-for-use fees.
West Publishing Co.	Legal and business information primarily for the legal community	Fee for value-added legal information; competitive pricing

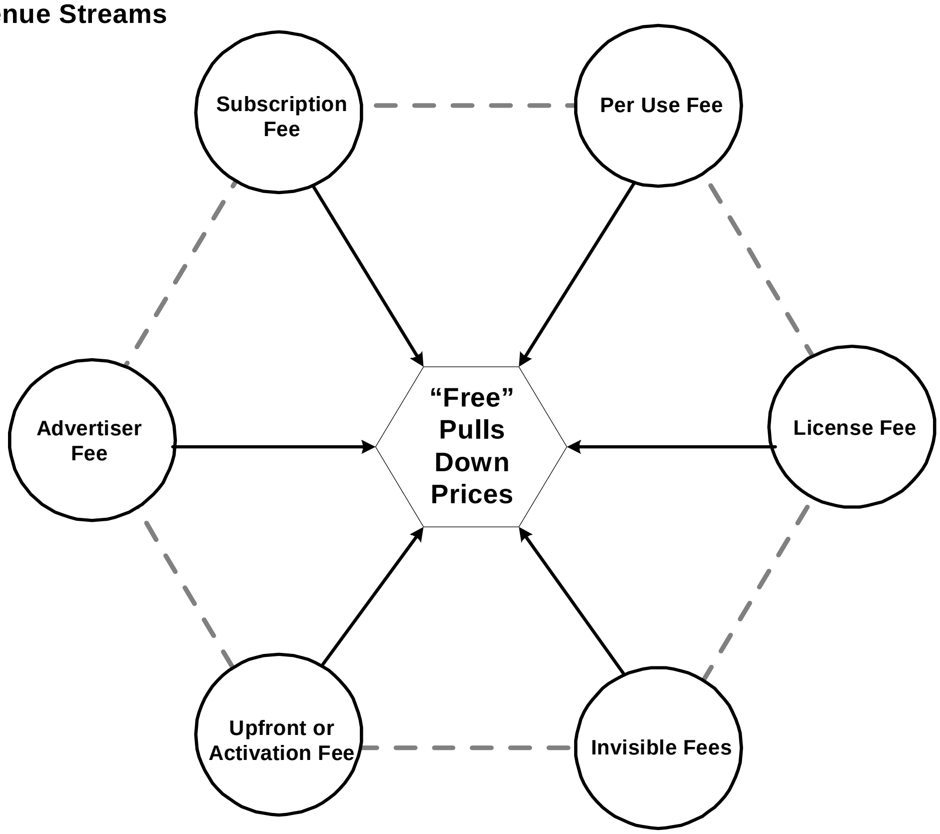
TABLE 1. Success Equations for Online Information Companies

Verity Inc.	Licensing text retrieval software to software, Internet, and mainstream business organizations	License fees scaled to permit the company to serve different niches with competitive prices
Yahoo!	Portal for Internet users	Free content plus an increasing array of commissionable applications; for example, Yahoo! auctions and e-commerce for small businesses

a. Grassroots content means information provided by individuals without compensation. The content is posted to a Web site with minimal or automated editorial control; for example, certain objectionable words are used to identify and delete user-generated information. Grassroots content warrants a separate, in-depth treatment. Authors contributing content without a written agreement and compensation continue to take action to protect their intellectual property.

The figure "Six Money Angles: Fitting Nicely into Internet Space" provides a snapshot of the revenue generating techniques used by these five firms. Each warrants a brief comment:

The Online Pricing Vortex: Free Information Draws Down "For Fee" Revenue Streams



- Subscription fees. The idea is to get customers to pay up front for access to certain services or content. The principal innovation in the last few years has been the drive to use free trials to capture a customer's attention. The financial power of 20 million people paying $20 a month or more demonstrated the power of this business model to Time-Warner's management. A subscription fee is billed monthly. Frequent billing means that the Web service provider has current contact and payment information. A bad account can be cancelled immediately. A customer who wants to cancel an online subscription often finds that the process takes considerable effort. Many subscription services find the monthly payment more important than a simplified cancellation fee. Cancellations mean churn. Adding new subscribers is an expensive, time-consuming business.
- Per-use fee. Per-use fees have been reincarnated as payment "by the drink." The idea is that when a person consumes information, the customer pays only for what is viewed or downloaded. There are many schemes to protect the information that has been copied in digital form. The most successful implementers of the per-use fees are the aggregators who provide access to costly business reports or scientific and technical documents. The customer does not need to subscribe to Thomson's First Call or other high-end financial information. A report or a single "page" of data may be purchased from an authorized reseller or directly from Thomson.[1]
- License fee. This is a term once-reserved for use by commercial database companies to refer to a fee paid to provide an organization's or institution's users with unlimited access to a specific database. "License fee" now includes software, right-to-redistribute text and non-text content, and the nuances of a "subscription." A license fee, in practice, is calculated. License fees are usually based on a number of variables. The customer wants to pay one price and be relieved of responsibilities for complying with restrictions that may be impossible to enforce. The content provider, on the other hand, usually wants to create the most complex algorithm possible in order to maximize return. In a corporate setting a license fee means five or six figures for branded content. For individuals, a license fee in practice is an annual fee of a hundred or more dollars paid up front.

1. Thomson offers "by the drink" services plus bundles of information at different subscription fee levels. The site making use of an array of subscription options is http://www.thomsoninvest.com. A professional broker who signs up for the site is encouraged to purchase the commercial service designed for a certified financial planner or broker.

- Invisible fees. The term that is used frequently to describe this charging mechanism is “microcash.” Technology exists to track a user’s actions within a Web site. Microcash charges mean that certain clicks carry a fee. Microcash charges are intended to be small, perhaps less than a penny. These are opt-in charges, which means that a person agrees to be charged for clicks before entering the site or the microcash zone. Digital debit cards like Microsoft’s Wallet make the buying process automatic. Once the digital debit card is activated, the charges are deducted from the user’s account instantly and without further pop-up alerts or dialogue boxes. Barriers like entering credit card numbers or clicking “I Agree” boxes have a negative affect on a user’s buying. The fees, therefore, are not invisible, just easy to overlook. The most common implementation of microcash does not affect the customer. A click through allows the referring Web site to receive a bounty on qualified users entering another site. The fees range from a penny or less to as much as $0.30 or more.
- Up front or activation fee. Internet service providers specialize in this type of charge. The idea is that setting up an account or access requires extra effort. In reality, the up front fee is a variation of the license fee. Depending on a customer’s degree of sophistication and the need for the information, up front fees can be routine or rip offs. From the Web site operator’s point of view, cash in hand is a desirable outcome. Dun & Bradstreet was at one time a master of the activation fee. Their brilliant variant was to include in the up front fee a specific number of uses. In order to continue to have access to valuable credit reports, additional “units” could be purchased. As many customers discover, an up front fee like the one charged by No Nags software is money wasted. The service may be accessed only a handful of times.
- Advertiser fee. Moreover.com, a U.K.-based service with offices in San Francisco, provides content that is free. However, in order to display the content on a Web site or use it within an organization, the customer must agree to display advertising messages on the Web page with the content. On the surface the content comes at a bargain price. A moment’s thought reveals that the cost is sustained by advertising. Variations of this appear in the sale of words like “airline” in search hit listings so a particular Web site is ranked at the top of the hit list and in the banner advertisements. The variations for advertising supported content are rich and varied. They range from annoying pop up boxes (Netscape) to banner advertisements (Excite) to complex blends of links, icons, messages, paid backlinks that pay commissions to the referring site, and hundreds of other clever monetizing gimmicks. On public portal sites featuring rich content it is difficult

for an outsider to separate the sponsored message from the content that is generated by the site operator without direct compensation. Caveat emptor means Web emptor.

What about "free" content? With the Web entering is early adolescence, an abundance of free content can be located. "Free" in this context means that the user does not pay with his credit card. However, make no mistake, content costs. Someone pays. Examples of "free" content are often provided at Internet World or Association of Independent Information Professional meetings to illustrate that the evil Death Stars of the commercial online services have been rendered toothless.

A bit of examination reveals that the actual "free" content on the Internet has some interesting caveats attached. Consider the content on discussion sites. Who owns the content after it is posted? Answer this question: "Who is paying for the site itself?" Many sites are demonstrations of technology, so the content is the proof of the pudding. Inktomi "sells" spidering services in the form of Web indexes that point to content. Inktomi's product offering includes advanced server and directory integration technology which the spider and the search-and-retrieval service illustrate. "Free" in this context translates to a digital marketing demonstration plus a flow of revenue from licensing for reuse of Web pointers and site descriptions.

Free Reuters news on Yahoo! reinforces the Reuters' brand and, in theory, drives users to Reuters' for-fee services. Reuters' accountants may disagree with the Reuters' marketing department on the payoff of this idea, but the user gets current news without have to put it on his or her personal credit card.

Unknown bands offer music for free. The motivation for digitizing, building a Web site, listing with MP3 music search engines is the record companies themselves. New and unknown bands garner little if any support from the name labels. Who pays? The band members and their fans contribute. Some of the cash comes from the parents who subsidize the dreams of their progeny. Free to the Web surfer means "parents pay."

What about Group Buying and Information?

Information is different from diapers or rubber grommets. Group buying of electronic information has not embraced the Mercata-like approach. Within the information industry, group buying comes into play with consortia agreeing to acquire data, make it accessible to others in the group, and negotiating a license fee with a commercial database producer.

Not surprisingly, database companies have had to respond to this type of deal. It has meant that some companies have lost licensing deals to individual schools. Firms like Bell & Howell Information and Learning, The Gale Group, Newsbank, and others keep their fee schedules and licensing deals under close wraps. Failure to make a consortium sale further erodes these organizations' revenue. The fee negotiation is a balancing act designed to get the maximum amount of revenue while meeting the customers' needs. More flexible pricing schemes and on-point target have permitted such organizations as Ebsco Electronic Publishing to gain market share at the expense of larger, less innovative companies.

In virtually every information arena, tension exists between the fees charged by branded content producers and the customers. In the scientific and technical field, Reed-Elsevier has struggled to find a solution to their pricing challenges. Particularly interesting is the impact of academic aggregators like Stanford University's LiveWire, Internet content engines like CNet, and big companies in one business (stock and bond trading) buying or licensing content and giving it away to customers.

The information industry has simply not been prepared to deal with structural changes and the constant pressure of Las Vegas's strategy of giving a good customer a free hotel rooms. The customer—in effect, the www.me.com revolution—is widening the cracks in traditional electronic publishing. When the gaps get big enough, even large firms will slip through. Reuters has embarked on an "Internetization" program designed to make it a viable enterprise. In fact, all of the "name brands" in commercial online are Web-izing at a rapid pace. For some it may be too late. Customers have seized the upper hand. In 1980, information professionals had no choice but to do it the online vendors' way. Today, online vendors must do it the customer's way. Without tailoring, personalizing, and responding to fine grained needs, the revenue can and will dry up for dinosaurs who don't "get it."

The Customer Revolt

From the foregoing, it is clear that content does cost in terms of time, intellectual effort, and computing resources even it a user can access a Web page for free. A distinction between costs is necessary when talking about access to online information. The table below provides a simplified view of the cost environment as seen by different people or organizations.

TABLE 2. Cost Viewpoints

Point of View	**Type of Online Content User**	**Cost Focus**
Individual user at home	E-mail and sites related to personal interests. Free unless a strong reason exists for a fee-based service; for example, financial information, "buy" audio files, etc.	Cheap as possible except for those information services that are "must have"
Individual user at work	Strong e-mail use. Other textual content varies widely but somewhat greater emphasis upon content in some way related to work.	Imposed by employer. Cost constraints are imposed by budget.
Sole proprietor	E mail. Information related to the business. Entrepreneurs often exhibit strong fascination for financial information, new sites, and	Cheap as possible except for those information services are "must have"
College student	E mail and non-text digital content.	None. Provided by university with cost "hidden" in tuition and fees.
Lawyer (large firm, large client)	Lexis Nexis or Westlaw. Some Internet content. Increasing use of e-mail.	Some constraints imposed by client. Firm constraints are generally tight. Cost containment or elimination important in many firms.
Medical doctor (practice with three to five MDs)	E-mail, personal financial information, medical literature.	Tight constraints. Cost reduction or elimination are very important.
Consultant at major management or accounting firm.	E-mail, business Web sites, news, and business / technical information	Constraints are tight except for billable work and research related to proposals for
Corporate information technology manager or senior information professional	Branded content integrated with e-mail and information produced by employees.	Constraints imposed by budget. Allocation of available funds is somewhat discretionary.

The unifying thread among these different online or Internet users is existing or growing cost consciousness. If the economic climate is generally positive in the United States, a concern with costs seems to be out of step with the times. Another view is that use of the Internet is a utility like gas or electric power.

The Internet is not yet precisely like a sewer connection in a subdivision. The digital divide is quite real. Unlike a geographic or demographic marker, the digital divide underscores the importance of intellectual, technical, and financial resources.

There is a common illusion that after one accesses “the Internet,” information is free. Nothing can be further from the truth. The perception among many educated people who are tyros when it comes to online resources is that useful information is provided without direct charge.

There is a persistent 60s theme in the refrain “Information wants to be free.” College student gleefully charge a CD to their gold Visa, create an MP3 file, and post it so all their friends can decide if the tunes are cool enough to buy. The access at the university is free—and mandatory at many institutions.

Some information professionals point to the wealth of free information on the Internet. The books and magazines in the local public library are provided without charge to anyone who abides by the library’s guidelines for conduct. The cost of the information is borne by the community.

No one expects content from Dow Jones & Company, the Gartner Group, or any other commercial information entity to be without charge. In fact, no information is provided without a cost to someone. “Free” is a shibboleth. Rallying is easy. Delivering is expensive.

Can Money Buy Joy?

The good news is that money can buy Internet happiness. The beaming faces of Internet entrepreneurs who struck it rich with their initial public offering are proof. The better news is that as the Internet expands, users have a rich array of information available to them because someone or something else is paying the bill. The best news is that the Internet is evolving from a big library into a communications environment where metering is a way of life.

For a person willing to put up with advertisements and stale information, a great deal of content will be available to anyone with the ability to click a mouse. For an executive interested in the marketing messages of competitors and potential business partners, no-charge Web sites will offer an endless stream of product information, benefits, and slices of hard information to satisfy a great many online users. For everyday Jacks and Janes, marketing sites pitching one thing with content as the cheese to attract the mice will capture users.

Web content sites will build information services that are magnetic and pull users to them. Every device available within the limits of expertise, computing resources and budget will be employed to keep users in the site. These sites will be sticky in the parlance of the Internet savvy.

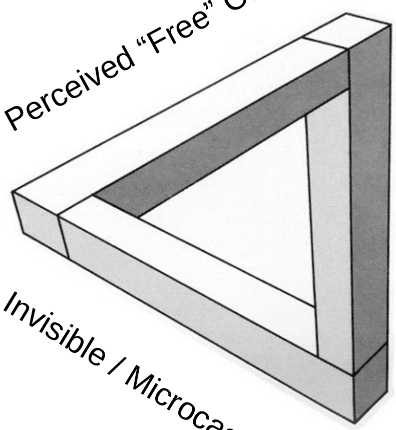
How will these feats be accomplished? Good ideas are essential. Value-added content is imperative. And an ability to recombine the six revenue generators in interesting ways. In the months ahead, it will be interesting to watch for:

- More sites that offer subsidized content. The payer of the bills is not immediately evident to the viewee of the information. The variations on sponsored content promise to have as many nuances as Bach's or Mozart's improvisations on well-known musical themes.
- Rapid proliferation of me.com portals from associations, commercial enterprises, Internet start-ups, even neighborhood groups. The bills will be paid by the affiliation group. The cash will come from membership fees (subscriptions and up front fees) and various types of advertising. Invisible fees (microcash click throughs) will operate as well. Data about what doctors, educators, employees, and lawyer do within a Web space has real value to pharmaceutical companies, publishing companies, enforcement entities, etc.
- New aggregators emerging from the rusting hulks of slow moving enterprises or Internet start ups that have crashed and burned.The image below is an optical illusion. With the various revenue tactics and their many forms, some Internet users may find themselves caught in paradoxical spot.

A user who finds "free" content may balk at paying for "extra cost documents." Anecdotal evidence from Northern Light and Powerize customers suggest that only a small percentage of users buy the for-fee document. These firms do not publicize their customer data, but users of commercial services in the 1980s went to great lengths to get as much information as possible at the best possible price. If the route

“Clever” Pricing Schemes

Multi-faceted (clever) pricing schemes may confuse customers. The service appears to be “free.” The customer then discovers explicit pricing options; for example, extra cost documents. Then other types of costs become evident. Managing customer expectations and attitudes in complex, volatile pricing set ups remains a “black art.”



around the revenue path is too tricky, customers may become suspicious. Brand loyalty could be negatively affected.

When the information is “must have” information, customers pay. Traditionally lawyers, patent attorneys, pharmaceutical research scientists, and investment analysts in the midst of major deals pay the going rate. However, some law firms have found that large customers like IBM ask that online search expenses be itemized. Smaller law firms have embraced Internet resources when the information available is comparable in the eyes of the user. The financial challenges at Lexis Nexis, Questel, and The Dialog Corporation may be illusory or anomalous. If real, they suggest that for some customers, alternative, lower cost sources of “must have” information are being sought out and used. For “nice to have” information, many users—including your author—find that Internet services are often free or simply cost less. For traditional companies, shifting to new pricing policies or cutting “sell through deals” with fast-moving Internet companies is difficult, if not impossible.

The obvious statement is, “Pricing is a very difficult exercise.” More to the point is the fact that pricing is increasingly a key element of the marketing strategy. Pricing must differentiate, generate revenue, and meet the needs of customers. A printed price list often is dysfunctional.

For managers in commercial enterprises, what seem to be trends may be situational responses. The management challenge is a sizeable one. As Generation-X pundits are fond of saying, “New rules apply. If a company doesn’t ‘get it,’ that firm will find itself under merciless attach from competitors it cannot see.” Established companies see the visible spectrum; Internet companies see in infrared and other frequencies.

If one steps back and looks at the broad pricing tendencies in the last 12 to 18 months, several tactical approaches can be identified:

First, portals or launch pad sites like Yahoo! are beginning to look more and more like America Online circa 1997. There are some notable differences between the use of an unbranded browser and AOL’s proprietary software for access to the “membership” section of their online service. It seems clear that a handful of high traffic sites like MSN (Microsoft Network), Alta Vista, and Yahoo!’s various incarnations in the U.S. and elsewhere are missing only one element of the AOL’s pricing model—a monthly subscription fee. It is increasingly likely that one of these mini-AOLs will make the leap. If that jump works, others will certainly follow. The less visited portals seem to be shifting to niches. One example is the retrenchment of the Go.com site, which is drifting toward a young people’s portal.

Second, the combination of free or teaser content with a link to a by-the-view fee for certain content will continue to garner adherents. Northern Light has embraced that model and added a “day pass” or longer subscription to its index of government information. When one looks at the click-throughs for book purchases, the corporate site license program, and the nascent subscription program, it is clear that Northern Light is broadening its revenue from the extra cost premium content model. Many sites offer variations of the Northern Light approach. Essentially a pricing scheme exits to satisfy all comers.

Third, invisible fees will become more subtle and clever. It will be difficult for a Web user to determine what content is editorial, advertorial, or reportorial. The backlinks to other sites may be included as a benefit to the user and they may be mini-advertisements for a site. A click sends a microcash payment to the referring site. Without editorial controls, it is likely that many sites will turn to invisible revenue mechanisms to create the appearance of free content. Indeed a respected brand may not be enough. The *Los Angeles Times* and one of its senior executives learned that consumers and lawyers find that too subtle commercial message packaged like objective news can trigger lawsuits and erode credibility.

Finally, the “old” Dialog and BRS models seem to be creeping back into favor. The differences between NewsEdge’s pricing and Dialog’s site license pricing from the early 1990s is fine indeed. Hoover’s annual subscription plan is similar to the Dialog Knowledge Index scheme on CompuServe from the 1980s. It seems as if the adage “What goes around comes around” applies to pricing of online content.

It is interesting to watch well-funded Internet start ups trot out innovative revenue generation schemes. After several months of working to make revenue, today’s online innovators turn to one of the six techniques described in this essay and squish them into today’s malleable technology. The result is the appearance of a new revenue model. The model in most instances is a bit like the sleight-of-hand performed by Chevrolet in the 1950s. The chrome and fenders were different. Underneath it was the same old Chevy.

Online information pricing is waiting for the arrival of the Volkswagen. Despite the Internet hoopla, getting hard cash for digital information remains difficult, almost a black art. When someone hits the jackpot with electronic information, it is often a side effect of packaging information in a solution to a problem. Bloomberg’s Web site is expensive and like the firm’s television efforts contributes modestly to profits. Charles Schwab, on the other hand, offers gigabytes of information in real time, in archives, in open fora. The information is a lubricant to stock trades. In a sense, information makes revenues flow. It is still difficult to make online information in and of itself, divorced from a solution, a home run in terms of revenue.

Nevertheless, entrepreneurs keep trying. That’s great news for those in search of a content bargain. The appearance of “free” content from start ups is greeted with as much enthusiasm in some circles today as a new edition of the Encyclopaedia Britannica was in the early 20th century. The information sleuth who can find the new sites with “free” content may be more valuable than a researcher used to plonking down armloads of cash for content produced with the equivalent of a hand-powered loom.

The real news, however, is that pricing models are old hat. The shift is not in the way buyers pay or how Internet companies collect cash. The change is in what is sold. Content in and of itself in digital form is becoming like lubricant or ball bearings. Without content, a site won’t generate revenue. But the purpose of the site is often an application or a solution to a problem. The software environment exposes or uses information to help the customer do something.

Examine any financial services Web site that offers stock, bill paying, or advice. Information is everywhere on these sites. But the customer pays for a value add. Buy a stock and pay a commission. The information is available to help the customer choose a stock. If the customer is risk averse, within the stock buying environment, the Web site Powerstreet can offer an extra cost report. If the customer buys it, that's extra money for Fidelity. If the customer doesn't buy it, Powerstreet has the customer's money and may earn a commission on a transaction anyway. Bill paying is a convenience. Content abounds. Reports, sell throughs, and additional services (branded credit cards) are offered. Revenue flows from commissions or clicks, not the sale of a magazine article.

Content is not secondary. Content is presented in a different context and the customer perceives paying for something. It may or may not be a document. Unlike the commercial online services of old or its newer cousins like Northern Light, the customer has bought into an application environment. Content is not the only revenue engine for the successful company. Without content, many Internet application environments would flop. The Thomson Corporation is repositioning The Gale Group as a provider of a software solution, not a vendor of directories and reference material. The tactic is a good one. Without it, it is unlikely that commercial abstracting and indexing operations could grow.

As a researcher, my mantra is, "Venture capitalists, venture capitalists everywhere, fund the content innovator."

0.0.1 Notes

[1] Richard Tomkins, "The Power of Price Cannot Be Discounted," *Financial Times*, May 14, 1999, page 16.

[2] AFP-Extel News, February 8, 2000 via Dow Jones news feed.