

Chapter 5: Business on the Internet

“Where there is no foreseeable practical application, ‘technical’, in the abstract, commands little interest from investors, but once a sure prospect of making a buck off a branch of technology exists, we can be sure that the funds necessary to pursue the topic will be committed and knowledge in this field will advance.” Taichi Sakaiya, ‘The Knowledge Value Revolution’, 1985.

The trickle of Internet business applications has become a flood. The three major business uses of the net are [1] electronic mail, [2] connecting to company local area networks and [3] customer service and technical support. The Internet allows an individual to gain access to network functions within each of the largest, most affluent organisations. Consider these suggestive developments:

- Internet in a Box, a product developed by Spry Communications, Inc.‘, allows a single user to become an Internet node for \$149. The user-friendly, graphical software allows a new Internet idea to be tested, information retrieval, or mail to be sent, almost immediately after loading the program.
- Mr Canter and Ms Siegel, two Arizona lawyers who garnered international attention with their advertising for-fee immigration services on 5,000 Usenet news fora, have formed a new company. Cybersell will advertise a health food. The technique of posting such an electronic advertisement is known as *spamming*. Despite the derogatory term applied to Cybersell’s electronic direct mail method, a new era of direct marketing via the Internet is in full swing.
- Sun Microsystems introduced an interactive electronic brochure that runs under the Mosaic graphical user interface. The new service expands Sun’s previous Internet databases with the capability to ship software upgrades and bug-fixes directly to customers. Mosaic increases the user-friendliness of the Sun databases.
- Springer-Verlag offers a Preview Service on the Internet. Users have access to tables of contents of about 90 journals from life sciences, medicine, physics, earth sciences and engineering. The tables of contents are distributed 10 days before the shipping of a new journal issue. For an

[1] This company is located at info@spry.com in Seattle, Washington 98 104 at 3 16 Occidental Avenue South.

annual subscription fee of \$20, abstracts accompany each item in the table of contents. Users can obtain files either by subscribing to the appropriate electronic mail list, or by requesting individual items from the Springer mail server. For example, a user subscribing to the table of contents of a journal can request that the new files be sent to his electronic mail address automatically as they become available. *Numerische Mathematik* is available in an electronic version with the data available in TeX or LaTeX files, the standard for presenting equations and formulae. An electronic help desk is available as well. Information is available from *springer@vax.ntp.springer.de*.

- An Online Bookstore allows Internet users to view small images of book covers, consult reviews of books, or read brief author biographies. The full text of the books costs about \$5.00. Using the Mosaic interface, an Internet user allows exploration of related ‘electronic pathways.’
- The Encyclopaedia Britannica is available on the Internet. Users access the full text of the 32-volume text under the WWW (World Wide Web) software. WWW permits hypertext links to related topics in the Encyclopaedia Britannica. The index, the condensed version, the outline and the text of the main articles are seamlessly linked. WAIS, Inc., a company founded by Brewster Kahle, handled the implementation of the reference standard. Access will be offered on a fee basis.²
- Ford Motor Co.’s Lincoln-Mercury division will advertise in the National Review’s Electronic Car Showroom, a section of the Electronic Newsstand, an electronic magazine subscription service.³ Users can enter the ‘cyber-showroom’ from the Electronic Newsstand’s main menu. The Lincoln-Mercury service offers electronic brochures, catalogues, reviews and prices. The cost to Lincoln-Mercury is about \$18,000 per year.
- IBM officially recognised Internet as a support channel in early 1994. Online support was previously available from IBM’s own network and

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- [1] ‘Fingers do the walking around electronic bookshop,’ *The Sunday Times*, 27 March 1993, page 3,11.
- [2] John Markoff, ‘Britannica’s 44 Million words are going on line,’ *The New York Times*, 8 February 1994, pages C1, C2.
- [3] New Republic Inc. founded the Electronic Newsstand in July 1993 as a joint venture with Internet Co., an Internet developer in Cambridge, Massachusetts. The service allows Internet users to read selected articles from more than 80 magazines and place subscription orders online. According to *The Wall Street Journal*, February 1994, “the service averages 30,000 accesses a day.”

CompuServe. Usage of the Internet is more cost effective, according to an IBM developer.'

- Singapore has relaxed its control over access to the Internet from the island nation. The government recognises that the Internet is becoming an essential tool of international business.*

These examples illustrate the diversity of business applications available on the Internet. Although many companies are concerned about security and ways to collect money from customers, the commercialisation, particularly in the US, of the Internet is moving at high speed and accelerating.

Because the Internet has offered powerful and low-cost or no-cost electronic mail services, many business professionals see the Internet as just another communications medium. With its lack of a single governing body, the Internet does not have the type of security that many executives believe essential to commercial services.

As the number of Internet users increases, the business applications of the Internet will increase. Many of these commercial applications fall in the broad category of customer service. Electronic mail and file transfer allow a software company to provide documentation and answers to customers' queries via electronic mail.

As many academics can attest, participating in discussion groups, posting draft papers on fora for comment and monitoring certain Usenet topics, can provide career enhancing opportunities. In many spheres, Internet access is essential to professional advancement. Researchers have long known that the ability to collaborate with colleagues yields significant benefits.

However, businesses have found that the culture of the Internet has until recently been a barrier to overt commercial use of the web of networks that comprise the Internet.

1. What anti-advertisers say

The Internet is an American system. 'Netziens,' as some of the avid users label themselves, express shock and concern at the commercialisation of the web of systems that make up cyberspace.

Disgruntled Internet users chaff at the changes on the network. The Arizona attorneys, Canter and Siegel, who broke the unwritten rules for direct solicitation of business were the target of flame mail. The more subtle Internet Shopping Network offers products to Internet users but relies upon less aggressive marketing tactics. The strong reaction to overt marketing on the network raises the spectre of anarchy on the Internet. Angry users can cripple commercial services with tactics

[1] "Internet officially links IBM users in need of support,' *Computer Weekly*, 17 February 1993, p. 20.

[2] Mary Cronin, *Doing business on the Internet* (New York: Van Nostrand, 1994).

ranging from a barrage of electronic mail to specialised programs that cripple the offender's server.

These critics of business uses of the Internet argue that the culture of the Internet, the openness of discussion and the community ethos, will change. The coming of business means that the free and low-cost access is also likely to change. Internet users who cannot afford to purchase for-fee services will become second-class Netziens.

2. The case for fee-based applications

The Internet is moving toward a future that has less US government funding available for the Internet. The definition of acceptable use of the Internet now permits certain commercial activities. The connotation of the phrase in 1992 was that the Internet was a place for the sharing of information. Catch phrases such as "Information wants to be free" resonate with many users who want no cost or low cost access to the cornucopia of information available to anyone with access.

Twelve months later, certain high value information will not be free. In fact, anyone who needs the information will be expected to pay the person or organisation who has it. Almost anything goes, provided that the seller attracts customers rather than bombards them with unwanted electronic sales pitches. To those accustomed to the volunteers who have laboured for decades to build the Internet, the rapid commercialisation is heretical. The most visible sign of the role of for-profit companies in the Internet was the recent job change for Vinton Cerf, one of the most visible of the tireless Internet volunteers. Dr Cerf, a developer of the TCP/IP architecture, accepted a senior position at MCI, the telecommunications giant headquartered in Washington, D.C.

Supporters of business uses of the Internet point to the chaotic, inconsistent and complex structure of the services. The Internet, in order to succeed as a platform for business, has become easier to use. The Mosaic toolkit provides a graphical interface to the Internet. An interface such as Mosaic seems to be an enabler of commercial applications; consensus is settling for Mosaic to be the first 'killer application' for the Internet.

3. Fair use guidelines

A person or organisation can do business on the Internet as long as certain appearances or cultural mores are maintained; for example:

- Electronic mail is not used as a substitute for direct mail. Messages should only be sent to individuals who request them or expect them.
- Information can be offered without charge. Users of that information can be informed that additional products or services pertinent to the free information are available for a fee. The users of the free information may then, at their own choice, elect to purchase the for-fee products or services.

- Overt advertisements are considered in poor taste if not displayed in a separate business group. If a sales messages can be encapsulated in a wrapping of useful information available at no charge to the user, then the advertising message will be considered acceptable.
- For-fee services must be clearly identifiable as such. If money is required as a *quid pro quo* for a product or service, these products or services should be described in fora that exist as commercial exchange points; for example, separate classified advertising sections.

There are surprisingly simple guidelines, and they pose no significant barrier to anyone wanting to use the Internet to operate a business. (In this context, see also Appendix E.)

4. How opponents react to commercialisation

What happens if a company uses the Internet to sell and breaks one of these guidelines? There are two typical responses:

- The individual operating the node where the offending message or file appears removes it. Because most Internet sites are manned by volunteers, many of whom have considerable leeway in their actions, the information is deleted.
- The person sending the message becomes the victim of *flaming*. Outraged Internet users bombard the sender of the message with irate messages or use electronic mail to alert others on the Internet to the behaviour of the offending party.

Regrettably there is little recourse for either action, since the Internet is a federation of distinct systems. The offended party has no single agency to whom to appeal.

5. Representative business approaches

The Internet is a new medium. It combines characteristics of traditional electronic mail, online databases and interactive discussions to create an information environment with no single point of control. Users of the Internet participate in a larger electronic community. The principal mechanism of interaction is collaborative. The greatest strength of the Internet is that individuals co-operate in order to provide information to others. For almost 30 years, the altruistic and communal approach has shaped the Internet.

Many see the emergence of a commercial presence as a significant change in the approach, texture and openness of the Internet itself. Commercial enterprises, if promoted without regard for the culture of the Internet, can find themselves ostracised. Potential customers are warned to avoid certain organisations' messages.

Change is rapid. Businesses eager to [1] market their products or services, [2] create greater awareness of an individual's or organisation's capabilities, or [3] sell, have

more leeway than ever before. It is often difficult to determine if a helpful response to a question posted in a forum is a ploy to sell consulting services or an honest attempt to provide advice and information without strings attached.

5.1 Checklist of marketing tactics

There are a number of ways to promote and sell products and services on the Internet. These techniques range from the most subtle to the sharply aggressive. After examining the burgeoning business marketing activities, one can identify several recurring themes. These include:

- Active participation in various discussion groups, or sponsorship of one or more discussion groups. The benefits include raising the profile of a person or organisation, and getting sales leads.
- Use of various electronic artefacts to attract potential customers to a particular product or service. Internet users can download software demonstrations of commercial packages, test drive simulated automobiles and explore soon-to-be-published books. Benefits include low-cost distribution of sales material to an audience not otherwise reached.
- Obtain a wide range of customer service and technical support. Benefits include lower costs and broader access to support staff and information.
- Make use of specialised services that are free to the Internet user. Costs associated with the product or service are paid by other organisations. Benefits include goodwill, opportunities to engage in one-to-one electronic dialogues, and increased visibility for people, products or services.

It is useful to examine some of the effective marketing and business-related Internet applications. Each of these representative examples illustrates how different marketers sell using the Internet without running afoul of the acceptable use guidelines and the culture's bias against overt commercial sales.

The classic fee-based services on the Internet are Clarinet, a real news feed, and CARL, the Colorado Alliance of Research Libraries. Clarinet users pay a monthly fee to receive filtered news from a number of wire services and more than 100 other sources. The Internet is essentially a delivery channel.

CARL, on the other hand, provides a high-value, free database. This file contains the table of contents of each issue of more than 2000 journals and magazines. Users pay for facsimile delivery of the original article. The fee covers a copyright fee plus a charge for the facsimile delivery and order processing.

5.2 Bits 'n Bytes Online

Bits 'n Bytes Online is an electronic newsletter focusing on technology and computer information. Jay Machado, creator of the newsletter, began the project in July, 1993.

In this publication, a sample issue provides the full text of articles about:

- Top cities for knowledge workers
- Returned for retooling
- The Dow Jones Investor Network
- The Fedworld BBS
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Mr Machado attempted to distribute the second issue via electronic mail but found that sending single copies to various sites was time consuming. In the tradition of the Internet, he posted a message asking for ideas. Within two hours, a person had described the technique for distributing one copy to multiple sites, provided a suggested list of **LISTSERVs** that discussed computer-related topics and offered to help Mr Machado with any technical difficulties.

Mr Machado is a computer programmer who claims, “I like to think about the intersections between technology and society.” *Bits 'n Bytes* is compiled as a resource outlet for those interested in reading information regarding the problems with the Internet, insights into technology and the effects on society and general information about the online world; the monthly newsletter is free to anyone who leaves their address at the publisher’s electronic mail address. Readership is world-wide, including Japan and several African nations. Each issue reaches approximately 5,000 people. Jay Machado is in the process of joining with a large corporation who will publish the newsletter.

The marketing tactic used by this entrepreneur is providing a free electronic copy of the newsletter to anyone who requests the information. Each issue averages 36 pages of text. Print subscription information appears in each issue. According to Mr Machado, “Subscriptions are pouring in.” When asked about the future of *Bits 'n Bytes*, he replied, “I haven’t had time to think about next steps. I am honestly overwhelmed with the response to my publication and the opportunities it has created.”

Bits 'n Bytes Online
1529 Dogwood Drive
Cherry Hill, NJ 08003
Internet: listserv@acadl.dana.edu
Contact: Jay Machado

5.3 *The Internet Business Journal*

The Internet Business Journal began in July, 1993 and currently boasts a subscription of 1,000 with an approximate 5,000 readership. The journal’s subtitle is ‘Commercial Opportunities in the Networking Age’. Articles in the journal focus on security, advertising, training and consulting and how to get business resources on the Internet. The journal also appeals to businesses large or small who are thinking of getting on the Internet. For more information, access the journal through Gopher.

The Internet is the subject of the publication and its principal means of marketing seminars and Internet consulting. Michael Strangelove, the publisher, provides a sample issue on the Internet. This, by itself, is not remarkable. Dozens of other publishers have used the broadcasting features of the Internet to attract readers and subscribers. What is unusual is that the young company is developing two new products that are a direct result of the Internet experience. The first project is a journal that focuses on Canadian government online resources and legislation, titled *Electropolis*.

The second project is a book on business resources and advertising opportunities, with a working title of *How to advertise on the Internet: a guide to Internet facilitated marketing* and it will describe what the publisher and his team have learned in the course of selling the *Internet Business Journal* via the Internet.

Internet Business Journal is published monthly and the subscription rate in America is \$149 (a discount is provided to educational libraries for \$75).

Internet Business Journal
2008 A Somerset Street East
Ottawa, Ontario K1N 6V2
Internet: mstrange@fonorola.net
Contact: Michael Strangelove

5.4 Electronic Book Technologies

Can book publishers find a niche on the Internet? The fluid electronic world with vague copyright safeguards and easy transfer of information from point to point do little to make a traditional publisher confident concerning the new environment.

Electronic Book Technologies, founded in 1989, creates, manufactures and markets an online viewing text called Dynatext. Dynatext displays in typeset form any document marked up in SGML (Standard Generalised Mark-up Language) format. The SGML instances floating on the Internet can use the Dynatext as a software tool to convert SGML data. To use the Browser the inquirer must own an indexer which takes the SGML file and compiles it into an electronic book which then can be searched and navigated by using the Browser. The software and the browsing are free.

By leaving an SGML-coded document at the company's Internet address, Electronic Book Technologies will forward the document and viewer to the appropriate resource. The service constitutes a fact-and-information service, and can introduce the enquirer to special interest groups. In the future, the organisation plans to provide expanded Internet electronic publishing services.

The pay-offs for the company are in creating awareness of the firm's SGML technology, and in creating goodwill among prospective clients. The firm hopes that giving away an educational and technical service can help publishers discover a knowledgeable resource sensitive to the requirements of those making the transition from print to an electronic environment.

Dataware, a Cambridge, Massachusetts software and CD-ROM publishing company, has taken the Electronic Book idea one step further. For a fee, Dataware will format and load a customer's data into the former BRS full-text retrieval software engine and 'publish' these data on the Internet. A user of the Internet can log into the Dataware server, use the Boolean search engine, and download the documents, brochures or numerical data available on the system. Dataware's money comes from those who pay the company to mount their data.

This field — known as network publishing — will become increasingly crowded. Already network publishing projects with very diverse charging mechanisms are available from O'Reilly & Associates, OCLC and Meckler Media (Weston, Connecticut).

Electronic Book Technologies
1 Richmond Square
Providence, RI 02906
Internet: info@ebt.com
Contact: Kent Summers

5.5 Online Career Center

Online Career Center (OCC) is a non-profit employer association owned, managed and controlled by its members. Employers pay a one-time association membership of \$3,900 and a \$60 annual access fee starting the second year. The user seeking employment pays nothing. The companies 'joining' the OCC foot the bill for job seekers.

Online Career now reaches over 20 million experienced, highly-educated, professional, technical and managerial online subscribers to Internet Prodigy, CompuServe, Dialog, America Online, Byte Information Exchange and Delphi (now part of the Murdoch media empire), GENie (General Electric Information Services) and other online networks by consolidating their subscriber base.

Candidates may respond via phone, fax or mail or a full-text resume. The Online Career Center database offers job listings by companies, or an applicant can enter a resume from any online service. Companies are encouraged to interview applicants who are on the service and to place details of any employees who are laid-off on the database. OCC developed a database on gopher and Mosaic, and during September 1993 announced a national career planning and development service. Currently OCC sponsorship comprises around one hundred companies including: Dupont, Hallmark, AT&T, Eli Lilly, Kraft and Burlington Industries.

Future plans range from including colleges and universities as a way to recruit and present programmes, to an international online career service.

The CommerceNet service (discussed below) employs a variation of this approach. Seed money has come from a group of companies that includes Apple Computer, IBM and others, government funding and fees paid by sellers of products. CommerceNet provides a secure environment in which financial transactions can take place.

Online Career Center, Inc.
3 125 Dandy Trail
Indianapolis, Indiana 46214
(317) 293-6400
Internet: occ@msen.com
Contact: William Warren, Executive Director

5.6 Novell Inc.

Novell maintains an Internet host that offers client and server software patches, Novell and shareware utilities, Novell documentation, and white papers. The Internet access permits downloading of files at higher speeds than available on such commercial services as CompuServe, where Novell maintains a forum. More important, the hourly connect rates for Internet access are lower than for CompuServe and other commercial services.

The Anonymous FTP host is [ftp.novell.com](ftp://ftp.novell.com). The anonymous host permits an Internet user to download files without having an individual account on the system offering the information. Similar customer services are available from Silicon Graphics, Cisco Systems and many other computer and software companies.

The principal drawback of customer service provided via the Internet is that response time and levels of support can vary. Electronic mail support is usually less immediate than a telephone call. Response from Novell customers is reported as being positive because software fixes can be obtained at any time.

Other companies using the Internet to slash customer service and documentation costs are Oracle and Silicon Graphics.

Novell Inc.
Provo, Utah
801-429-7000
[ftp.novell.com](ftp://ftp.novell.com)

6. Charging mechanisms

In each of the preceding examples, the Internet user has access to free information. Unlike commercial online services, the user pays no additional fee to see if needed information is in the database. The only costs were for connect time. Many academic, government and association individual users do not pay basic connect or telecommunication charges. Their organisations do.

However, for businesses to offer for-fee products and services on the Internet, some mechanism must be in place to allow the seller to collect money from the buyer of the product or service. Until recently, the mechanisms for fee-collection have relied upon private electronic mail between the buyer and seller and a myriad of offline payment and funding schemes. Toll-free numbers, facsimile and traditional postal services are among the most common ways to bill a credit card or an organisation with a paper invoice. Free information attracts potential customers to a particular service or file on the Internet. The user browses the 'free' listings and learns that

other services or products are available. If a product is wanted, the user is then asked to send electronic mail or contact the seller via telephone; the seller solicits either direct payment or a credit card transaction. The most common Internet billing model keeps the selling of the product or service offline; that is, not in a real-time, interactive mode. When electronic mail is used, the interaction is within the confines of a private conversation.

The line between selling for-fee products and services and simply using the Internet for public relations and awareness building is blurred. What appears to be free often has a catch or a hook to snare the prospect. The angle may be based upon *try before you buy*, a tactic with a long tradition in the software business. Free software is available, and the user who likes the product is asked to send the author a fee. The shareware approach to business depends upon trust in fellow man. An alternative approach is to provide information for *free up to a point*. When the person asks for more information, the individual or organisation asks for a fee.

In general, the tactics used by various individuals and organisations on the Internet have of necessity fallen into one of five broad categories. Before examining the first serious business transaction service available on the Internet, it may be useful to examine each of these tactics briefly. They are likely to be appropriate for many consultants and organisations that wish to build a customer base and explore the revenue-generating opportunities on the Internet. These sales and marketing tactics include:

- The library paradigm, or ‘Information is free.’
- The cost recovery approach, or ‘free’ information with additional services billed at or near cost
- The free sample
- Third-party funding of ‘free’ service
- New media marketing
- Traditional buyer-seller relationship

Let us examine each briefly (and also refer to the table at the end of this chapter on page 69):

6.1 The library paradigm

One of the oldest categories of information marketed via online services is software. The approach usually takes one of two approaches which can be elaborated and modified by publishers or authors to meet their particular needs. For example, a software publisher offers an executable program in the form of shareware. The idea is to distribute the program so that those interested in its features can try it without charge. The user downloads or copies the software from the host computer which may be an Internet site, a commercial service such as CompuServe, or a private bulletin board system such as Executive PC in Wisconsin. If the customer finds the software useful, the customer is asked—usually in a screen display called ‘begging for dollars’, and the documentation file — to send money to the author.

The Internet holds tens of thousands of shareware software of this type. Collections of Windows programs may be found at Indiana University and Washington

University; UNIX programs are plentiful at the University of California-Berkeley and the Massachusetts Institute of Technology. Software for most computers and operating systems can be located on the Internet using various search and retrieval tools.

One recent success story for this type of shareware marketing is San Diego-based Qualcomm's move from freeware to commercial software. Freeware is simply software for which the author does not want any remuneration, distributed via online services. Qualcomm began giving its electronic mail program *Eudora* away several years ago. Initial distribution was on the Internet, but the software was copied and distributed to a range of online services specialising in useful programs. The program now costs \$50 and is a commercial product that has more than 100,000 users world-wide. Eudora allows offline creation and browsing of messages, then connects and uploads the messages. It reduces time spent online for reading, retrieving and browsing the Internet files.

The Internet was used as a broadcast medium. Comments of satisfied users, posted in various fora, fuelled provided the firm's marketing engine. Revenue came from users who wanted to pay for updates, more complete documentation and customer support. In a sense, the product sold because it was free. This illustrates the radically different premise of this type of marketing from the retail and direct mail models of software marketing. This Internet marketing approach removed the customers' risk associated with trying a new and unproven software product. The marketing costs were reduced for the software publisher.

6.2 *The cost recovery approach*

CARL, the Colorado Alliance of Research Libraries, consists of about a dozen institutions of various sizes representing public and academic libraries. These libraries co-operate to create an electronic listing of the tables of contents of more than 1,400 journals, usually within 48 hours of the CARL institutions receiving material. The database is continuously updated, at a rate of 3,000 to 4,000 articles per day. The index and document ordering service is available 24 hours a day without charge on the Internet. CARL Systems Inc. runs the document access and retrieval system which was developed by CARL. The UnCover2 document delivery service exists to supply copies of articles from Uncover within 24 hours, and often much sooner.

Users of the free table of contents service may, at their option, order hard copy delivery of articles cited in the table of contents service. Delivery is via facsimile only. The charge to the user of the document delivery service is \$8.50 per article, with a publisher's copyright fee that averages about \$2.00 per article added, although the fee varies by publisher.

The service competes directly with for-fee tables of contents and popular journal and magazine indexes. Commercial indexing services charge for access to their listings. In effect, the commercial online service tells its customers, "You have to pay us to find out if what you are looking for is in our databases." The CARL model allows the user to browse for information and then place an order for a document.

Because the online search of the listings and the ordering mechanism uses Internet electronic mail facilities, the users can browse and then order facsimile delivery of documents without fear of hefty online charges.

The marketing angle is a blend of free information services and value-added services, specifically the document delivery option with payment by credit card.

The implicit and somewhat aggressive marketing message is, "Why pay for what you can get for free from CARL? Browse at no charge and then order documents as needed at a competitive price via electronic mail. No deposit accounts, no hidden charges, no surprises."

CARL's service is a direct challenge to Dialog Information Service, OCLC and the Institute for Scientific Information. CD-ROM journal literature reference products may be affected as well. Vendors such as Information Access Co., H.W. Wilson, EBSCO and others are also likely to feel some pressure from CARL's marketing programme. The service sets an important precedent for others to emulate; even if the CARL service is withdrawn from the Internet, other entrepreneurs can build upon the CARL platform.

The marketing angle is that the online services are where one is likely to find a concentration of potential customers. Furthermore, the cost of marketing via the electronic service is modest, particularly when compared to the cost of sending a person a direct mail letter or placing an advertisement in a computer magazine.

Variations on this approach are abundant. The *National Review* provides a combination of one or more free full-text articles from more than 24 well-known American magazines, an online subscription service, and a table of contents service. Other newsletter publishers provide copies without charge in the hope that a sufficiently large audience can be found for a for-fee information service.

Unlike traditional marketing, the online approach allows the sample issue to serve as a magnet. The idea is to pull together individuals whom one could not otherwise identify as a segment. The collection of individuals becomes a niche. This is quite different from identifying a niche, rather than its individuals, and marketing a product to whomsoever a list compiler has classified as a member of that niche.

6.3 The free sample

There are hundreds of examples of free samples on the Internet. Michael Strangelove's *Internet Business Journal* is one of the most professional. However, newsletters, reports, extracts of forthcoming books, shareware and freeware and other types of information are widely available.

The idea is that an Internet user will discover one of these free samples, like it, and then subscribe, purchase or send a registration fee to the author of the information or software. This tactic is one of the oldest on the Internet and one of the most widely used. It is relatively easy for an individual to post information on Usenet or upload a file to a particular directory.

6.4 Third-party funding

Arguably the present Internet itself is an illustration of a generous and indulgent benefactor paying for others to use a public service. The American government has funded the Internet principal trunk lines or backbones for almost 30 years. Through subsidies to academic and research institutions, the non-commercial Internet grew into its present amorphous shape.

For many users, government funding makes information appear to be free or low cost. In reality, the information has a price, but that bill is paid anonymously. When the government funds are not sufficient, the Internet has been supported by thousands of volunteers who have written the software and managed the individual sites without remuneration.

The Online Computer Center case suggests that it will be possible to structure third-party payment plans that provide free access to high value information and services. The costs of these services which appear free to the user are borne by organisations that derive substantial benefits from the use of the information service.

Just as the US government built its pool of computer literature professionals and provided wider access to powerful research tools, the third-party payment scheme can yield substantial benefits. For employers supporting the OCC, for example, these organisations can:

- Claim that employees who lose their jobs are given electronic job seeking support.
- Sponsors can identify potential employees using the Internet, thus minimising or eliminating completely in some circumstances fees for professional recruitment services.
- Trim costs for certain types of out-placement services for terminated staff.

6.5 Bundling print and electronic information

One of the most innovative marketing approaches is that used by O'Reilly & Associates, a small speciality book publisher in Sebastapol, California. The company is best known for its best-selling book *The whole Internet user's guide and catalog* by Ed Krol.

The company bundles software with print information in a variety of ways. Some customers buy a book and get the software. Other customers get the software free and use it to buy print or audio products.

O'Reilly & Associates has introduced a free software tool called the Global Network Navigator (GNN). The software is a graphical browser that allows the user to access about 600 information services on the Internet, including the O'Reilly book catalogue. The GNN is a Mosaic application of World Wide Web (WWW) that simplifies basic functions on the Internet.

The software combines information and code. It forms, according to Tim O'Reilly, founder of the company, a new category of product dubbed *infoware*. The software brings a graphical user interface to Windows and other platforms. It makes extensive use of form text searching tools called Internet hypertext technology. Some of the software's major features include:

- a new quarterly magazine and software, new products for O'Reilly & Associates
- the ability for the company to distribute object oriented documents that use formatted text, graphics, icons and scripts
- freedom for the users to exit the program at any time and access gopher and ftp directly
- permitting the user to browse and read electronic magazines
- digital displays of the work of new media artists
- optional access to the Online Whole Internet Catalog.

What is the marketing angle? The software provides direct access to GNN Marketplace, a commercial resource centre that provides for-fee information. The product blurs the line between shareware and for-fee information.

In addition, the software performs a useful service to users and information providers because it extends Internet information sources. O'Reilly has opened a new marketing territory with new categories of electronic information. It is difficult to predict the evolution of this unique marketing approach.

6.6 Traditional buyer-seller relationship: *CommerceNet*

A new company provides an electronic marketplace on the Internet. Entrepreneur Jay Tenenbaum heads the new organisation doing business as CommerceNet.¹ The idea is to allow sellers to offer their products, and manufacturers to put orders out for bid. CommerceNet operates the Internet Shopping Network, a computer buying club located in Menlo Park, California. The system uses Mosaic, the graphic interface developed at the University of Illinois' National Center for Super-computer Applications.² Funding, in part, comes from the Technology Reinvestment Program, which provided the company with a three-year \$6 million matching grant. The State of California contributed \$500,000 and companies that wish to participate and have a role in the management of the organisation contribute a minimum of \$25,000.

Large organisations such as IBM operate private networks. Some suppliers have access to these networks. However, most organisations do not have a way to link

[1] Contact CommerceNet at 415-617-8790 or info@commerce.net.

[2] Mosaic allows computer users to access Internet resources using a graphical interface that makes extensive use of a mouse. Instead of complex commands, the user points and clicks.

electronically with potential buyers of their products or sellers who have products a particular company needs.

CommerceNet's objective is to provide the same functions as a private network via the Internet. Companies participating in CommerceNet will offer an electronic home page on their computer. This screen acts as an electronic brochure and affords access to other information.

The key technology comes from RSA Data Security Inc., a Redwood City, California, firm that markets a public key encryption technology.¹ This technology enables CommerceNet to offer buyers and sellers a secure way to:

- Make payments via credit cards.
- Send confidential messages and documents.
- Verify the identity of the individual or organisation at the other end of an electronic message.
- Send digital signatures so that legal documents can be executed over the Internet.

Companies wanting to use CommerceNet pay nothing. The firm provides technical support and software required to support the service. The cost for an order over CommerceNet is about \$0.20. This contrasts with a cost of \$5.00 for a toll-free telephone order.

CommerceNet has enlisted the support of Apple Computer, Amdahl, Bank of America, Citicorp, Digital Equipment, Xerox, Lockheed Missiles and Space, Hewlett-Packard, National Semiconductor and a number of other large corporations. The cost to a small firm is about \$1,200. The objective of the reduced cost is to give start-ups, entrepreneurs and companies with a handful of employees a way to tap the commercial possibilities of the Internet.

7. Outlook 2000

The commercialisation of the Internet is under way and is not likely to be reversed. By 2000, the Internet will embrace a broad range of free and for-fee services. As new users discover the Internet, the resistance to direct selling is likely to decrease. The emergence of services such as CommerceNet that provide security and the mechanisms required for electronic commerce on a public network, provides a more suitable environment for commercial activity.

In short, a growing number of for-fee products and services will emerge. In addition, the Internet will facilitate a broader range of commerce in non-Internet based products and services. The Internet will allow organisations to engage in an electronic mall in a number of ways that are as yet difficult to envision.

[1] For a discussion of this encryption technology, see pages 126 and following.

For the foreseeable future, entrepreneurs and more established organisations will be exploring the Internet as a marketing medium. The collaborative nature of the electronic community presents some challenges because no one knows what will or will not work from a marketing point of view. Despite the lack of hard information about what comprises a successful Internet marketing programme, some generalisations are possible:

- The line between free and for-fee is difficult to draw.
- The most effective marketing causes *individuals* to locate and select a product, rather than the marketer, creating a need and pushing a product to a market.
- The product provides one or more no-cost benefits to the user.

The marketing programmes attract individuals, thus allowing the marketer to define his or her own niche.

The Internet medium appears to stimulate the invention of new product categories. Marketers who exploit electronic services are likely to pose increasingly significant challenges to those who do not recognise that the Internet is:

- Different from print, video or facsimile because it can incorporate elements of each medium in real time.
- Moving toward interactivity among people using various information objects as part of the discourse.
- Making it possible to create geographically-dispersed virtual markets.
- At this time, fewer than 2 percent of the world is on the Internet or some other electronic information service. Innovation will persist for many years.

Online marketing is playing an important role in changing the information business from a narrowly focused service aimed at individuals with highly specialised training, to a consumer product. It is also showing indications of being a new type of publishing medium that supports objects (audio, video, graphics) that users download and manipulate in their own computer environments.

In the future, marketing via online services will become increasingly important because the customers attracted to a product offering define *themselves* as a niche. Competitors may find it more difficult to identify the characteristics of the individuals making up this market segment.

Internet Business Tactics			
Approach	Characteristics	Strengths	Drawbacks
<i>Library Paradigm</i>	Information is free.	Matches original Internet culture. Assures some access.	Indirect method of selling. Difficult to protect intellectual property.
<i>Cost Recovery Approach</i>	Information of value is available without charge. To obtain additional information products or services, the user must consciously activate for-fee trigger, usually an electronic mail message with payment via credit card.	Customers who make a conscious decision to spend money for a service demonstrate product loyalty. If a sufficiently large number of customers use the for-fee service, a niche can be defined and more easily defended.	The costs of providing a two-tier service are substantially higher than for the free-sample model. Payoff time may be more long term than other tactics'.
<i>Free Sample</i>	Free sample of the information product or service is made widely available. To receive updated information, the customer must subscribe to the service.	The customer gets something for nothing, or for very low cost.	Customer often seeks lowest price regardless of quality.
<i>Third-Party Support</i>	Customer often does not know who pays for the information product or service. <i>Appears</i> to be a free service.	Builds an avid user base. Fosters community among users.	Often difficult to charge directly for information when the third-party support is reduced or withdrawn.
<i>New Media</i>	Marketer provides a free service that in some fashion provides the customer with limited access to the company's other, for-fee information services. The marketing package may consist of software that provides access to for-fee information products and services as well as to free products and services.	The drawing power of innovative information packaging is strong.	Difficult to engineer a package that is appealing and has the ability to sell.
<i>Buyer-Seller Relationship</i>	Fits traditional business model.	More economical way to match buyer and seller. Global reach.	New service. Some may not trust security procedures.

Internet business tactics