

October 2010

# **The Battle to Survive the Digital Age: Monetizing Online Information**

**An Advisen Whitepaper, sponsored by OneBeacon Professional Insurance**

## **Executive Summary**

In February 2009, *Newsday*, a New York-based newspaper, announced that it would no longer offer its online content for free, highlighting the struggles of traditional print media attempting to compete in the online media world. The publication's reason was simple – as readers have increasingly gone online for their news, papers have suffered declining subscriber numbers and lower advertising revenue, resulting in a dramatic industry contraction. Critics of this strategy feel that online consumers will simply shrug their shoulders, and move onto other websites with free daily news articles.

With the proliferation of the Internet, the number of options to deliver and consume digital information for both content owners and consumers has directly increased. From a million commercial online customers in the mid-1990s to today's estimated 150 million online users, it is evident that the information world has, indeed, changed. Today, consumers have increased flexibility in selecting from a variety of content service providers, a multitude of devices, and a variety of "purchase and download" payment options and subscription models. However, as gigabytes and terabytes of digital information became easily available to anyone with an Internet connection, a dilemma surfaced: how can information be monetized when many users of information expect it to be free? It has become clear that the basic revenue model of traditional media companies must change in this world where the Internet is the primary distribution network for information.

## **Overview of Online Content**

Online content providers are generally understood to be websites that supply different types of regularly updated online information including news, entertainment, traffic reports, and job listings. The first online content providers were entities such as America Online (AOL), which provided content to users for a subscription fee.

The oldest example of an online newspaper is *The Weekend City Press Review*, which was launched in 1991. For some newspapers, moving online created more opportunities, such as competing with broadcast journalism in presenting breaking news in a more-timely manner. The credibility and strong brand recognition of well-established newspapers, and the close relationships they have with advertisers, were also seen by many in the newspaper industry as

strengthening their chances of success in the new medium. The movement away from the printing process can also help decrease costs. However, other publishers deemed the Internet as a threat, and in order to defend their core market from attack, hastened to create online products of their own. Unfortunately, observed Harvard Business School Professor Clark Gilbert in his doctoral research, the papers failed to take advantage of the Web as a unique medium and framed the new business vis-à-vis the old business, using old business models and sales processes..

Today, the Internet publishing and broadcasting and search portal industry includes about 2,300 companies with combined annual revenue of about \$34 billion. This includes a wide range of companies, from search portals, to news organizations, to entertainment companies, including publishers of all stripes. Some of the most successful companies in this domain, including the phenomenally successful Google Inc., are search portals, which are usually not content creators, or even content owners, but rather vehicles for accessing content produced by others. This is an important lesson for content creators, as delivery of their own content, and integrating it with other's content, is as important for profitability as creating the content.

The publishing and broadcasting segment of the online media industry might appear to be concentrated, with the top 50 companies accounting for more than 60 percent of revenue. These online content providers, however, compete with a seemingly endless array of websites and blogs, from the Drudge Report to YouTube videos to personal blogs. Much of this content is created in basements by hobbyists, without profit motives, and is often used without permission from the copyright owner such as Viacom videos on YouTube. Bloggers often publish abstract of copyrighted news stories, which may cut into news organization revenue. In order for media companies to compete, they must offer superior-quality editorial and viewing experience, and make it easily assessable for consumers. Competition has also risen from those with profit-motives, such as TV news network CNN competing with newspapers for online readership. Some media companies are purely online, relieved of the burdensome cost structure of printing newspapers and producing TV shows. AOL has made a nice comeback from the dot-com bust days, and has emerged as a free news portal, hiring many out-of-work journalists left in the ashes of the newspaper implosion.

## **Changes in Revenue Models**

As the value of print publishing dwindles, it becomes more critical to ensure a successful business within the broader Internet arena. Models have emerged for content providers to develop new revenue streams.

- *Revenue from subscription access to content.* This refers to base subscription fee with many opportunities for buying value-added services which generate direct payment or commissions. *The Wall Street Journal* utilizes this model. 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. Many in the industry have been critical of this approach, as many of the same basic articles are available on free sites such as CNN.com and AOL. News Corporation, which owns the Wall Street Journal, feels its publications have special in-demand analysis and insight that will attract subscription revenue, or at least use the online content as a sweetener to drive print subscription sales with special offers.
- *Revenue from pay-per-view access to documents.* Per-use fees have been reincarnated as payment "by the drink:" the customer pays only for what is viewed or downloaded. Many

schemes have been developed to protect digital pay-per-use information. The most successful implementers of the per-use fees are aggregators who provide access to costly business reports or scientific and technical documents.

- *Cost-per-click.* A type of revenue stream related to “pay-per-view” is cost-per-click (CPC), where advertisers are charged not simply for the number of times their ads are displayed, but according to the number of times they are clicked. These are typically text ads similar to sponsored links within a search engine but delivered over a network of third-party sites on a search engine such as Google, AdSense, Yahoo Content Match, Microsoft Content Ads and MIVA.
- *Revenue from license fee.* This was once reserved for use by commercial database companies to provide an organization’s or institution’s users with unlimited access to a specific database for a fee. License fees now include software, right-to-redistribute text and non-text content, having all the nuances of a “subscription.” In a corporate setting, a license fee may mean five or six figures for branded content. For individuals, a license fee in practice typically is an annual fee of a hundred or more dollars paid up front.
- *Revenue from Invisible Fee.* 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 users agree to charges by 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 effect on 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 website to receive a bounty on qualified users entering another site.
- *Revenue from up front or activation fee.* Specialty information and service providers are best placed for commanding this type of charge. From the website 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 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.
- *Revenue from advertiser fee.* The variations for advertising supported content are rich and varied. They range from pop-up boxes to banner advertisements to complex blends of links, icons, messages, paid backlinks that pay commissions to the referring site, and hundreds of other clever monetizing methods. Ads may be served by the site owners ad-server or more commonly through a third-party ad network service such as Google AdSense. Other site owners such as FT.com charge advertisers a rate card price according to the number of its ads shown to site visitors. *The New York Times* gives away their articles online, which are relatively expensive in print-form, with the hope of generating more web traffic to their site and enhancing advertising revenue. They also focus on charging users for their Times Reader software, which makes online articles easy-to-read providing a newspaper feel.

- *Revenue from sponsorship of site sections or content types.* A company can also pay to advertise a site channel or section. For example, HSBC sponsors the Money section on the Wanadoo/Orange portal ([www.wanadoo.com](http://www.wanadoo.com) or [www.orange.co.uk](http://www.orange.co.uk)). This type of deal is often struck for a fixed amount per year. It may also be part of a reciprocal arrangement, sometimes known as a 'contra-deal' where neither party pays.
- *Revenue from "thought leadership."* An effective online content strategy that online publishers use to sell products, generate leads, and get people to join a community is to exercise thought leadership rather than simple advertising and product promotion. Through a well-crafted white paper, e-book or Webinar, companies such as Advisen and Business Insurance package information in various, often customized, ways for different applications and different audiences. These companies leverage on their positive reputation by setting it apart in the marketplace of ideas, branding themselves as experts and as a trusted resource to turn to regularly. However, this form of branded content is a more difficult revenue model for consumer publications such as online news sites, since it will tend to look "advertorial" or editorialized.

Some forms of this online content include:

- White papers – written for a business audience that defines a problem and offers a solution, but does not pitch a particular product or company.
- E-books – PDF-formatted document presented in a landscape format, rather than the white paper's portrait format, used by marketers as a fun and thoughtful way to get useful information to buyers.
- E-mail newsletters – delivered specifically to a group of people, most often in a regular series
- Webinars – online seminars that may include audio, video and graphic images.
- Research and survey reports – used by many companies that conduct research projects and surveys, and publish the results for a fee or with sponsorship backing.
- Podcasts – ongoing series of audio downloads available by subscription, which is very popular as thought leadership content in some markets.
- Vodcasts, and vlogs – content, as discussed above, but using videos especially for audiences who prefer watching to reading and listening

## **Protecting Digital Property Rights**

With the emergence of new revenue models that can propel the growth of the e-business channel, it has also become imperative for content owners to protect their property rights from pirates. While the Internet provides a burgeoning playing field for competition, when permissible competition crosses the line of legal propriety, content owners should be able to identify and address those transgressions in order to protect their assets, revenues and brands.

The first step in protecting content is to register copyrights, which gives content owners the ability to pursue legal remedies for infringement. However, the goal is to prevent infringement in the first place.

In response to this need, Digital Rights Management (DRM) has emerged as a major approach to ensure enforcement of digital licenses. DRM refers to access control technologies that are used by publishers and copyright holders to limit the usage of digital content. Licenses provided to consumers enable digital media playback while upholding the associated rights. Making sense of DRM options and choosing the right approach is a critical business challenge for content owners today. Circumventing DRM is considered copyright infringement under the federal Digital Millennium Copyright Act (DMCA) of 1998.

Watermarking and fingerprinting content identification technologies are also emerging as efficient solutions to better manage content and safeguard the interests of all the players in the media ecosystem, from content owners, rights-holders, distributors and marketers/advertisers to end-users.

Digital watermarking is a process by which specific data is included within multimedia content, providing its own unique identity. Watermarks are imperceptible to the human eye and it is virtually impossible to detect the presence of the watermark without proprietary decoding equipment. Any attempt to destroy or remove the watermark will seriously impair the quality of the material in which it is embedded. Digital watermarking, therefore, enables the identification, management and tracking of digital multimedia content. It can be used for a variety of different applications and purposes, including broadcast verification, digital rights management, image copyright protection, forensic tracking and mobile commerce.

Digital fingerprinting is a technique in which sophisticated software identifies, extracts and then compresses characteristic components of a digital asset, enabling it to be immediately and uniquely identified by its resultant "fingerprint." Video fingerprinting is commonly carried out by extracting several unique features of digital multimedia content that can be stored in the form of a fingerprint. The evaluation and identification of content is then performed by comparing the characteristic features of the extracted fingerprints. For digital audiovisual content, both audio and video fingerprints can be extracted, each having individual significance in different application areas.

## **Controversies Involving Online Content**

The development and widespread use of broadband Internet, new TV distribution platforms, and the explosion of enabled devices has made it easier for content owners to reach their audiences and widen the market. However, it has also made it easier for content to be re-distributed and illegally shared.

- *Associated Press v. Rogers Cadenhead*. In 2008, the AP sent a legal notice ordering Rogers Cadenhead to take down seven entries on the Drudge Retort, a website presenting an alternative viewpoint to the popular Drudge Report blog. The news agency said the postings were in violation of AP's copyright. Cadenhead highlighted the disagreement in his personal blog, [www.Cadenhead.org](http://www.Cadenhead.org), and prominent bloggers rallied behind him, saying the posts in question were protected under the "fair use" provision of copyright law that allows quotation of copyright material for commentary and certain other purposes without asking permission. In June that same year, the case was settled between the two parties. While AP cried foul on copyright infringement, Cadenhead said contrary to what AP and other similar organizations think, blogs and other social networking sites are of benefit to mainstream media. He described how the posting of excerpts and quotes helps drive visitors to the sites

where the full article text can be found, even citing that 20 percent of the *New York Times* web traffic is referred by blogs.

- *Belgian Association of Newspaper Editors v. Google*. In September 2006, the Belgian Association of Newspaper Editors sued Google and obtained an injunctive order from the Belgian Court of First Instance that Google must stop deep-linking to Belgian newspapers without paying royalties, or else pay a fine of €1 million daily. For online content providers, deep links allow viewers to go directly to the story. The publisher's association said that newspapers were losing money as clicks on stories on Google News redirect users to the story but not to newspaper home pages, where most advertising resides. The court ruled that Google News was a portal and not a search engine, and that it did not just use snippets but reproductions on that portal. This case gives newspapers more leverage in collecting royalty payments from large portals like Google, but is limited in its scope to Belgium.
- *Washington Post, et al v. Total News*. In February 1997, the Washington Post, CNN, *The Los Angeles Times*, Dow Jones (*Wall Street Journal*), and Reuters sued Total News Inc. for framing their news stories on the Total News Webpage. The news organizations alleged that the Total News Web site changed the manner in which users read their sites by its use of framing and hyperlinks. The Total News' frame contained their own paid advertising instead of the advertising that was incorporated on the news organizations' web sites. The lawsuit was settled and the terms of the settlement provided, among other things, that Total News would stop framing the news organizations' Web sites. Also, Total News would only link to the news organizations' sites with permission. This case establishes advertising boundaries between news portals and content provider sites.

## Conclusion

In today's digital age, free information ideology seems to be deeply embedded among consumers. Previous studies have shown that in online culture, there is a widely-held belief that information should not come with any cost. For example, a Forrester Research report in November 2009 found that 80 percent of U.S. consumers would not bother to access online newspaper or magazine sites if they were no longer free. As a result, companies grapple to find ways to increase online revenues. While there is no magic bullet in generating profits, the most successful online publishers are those that deliver high-quality information and other value-added content through a combination of various revenue models deployed in innovative ways.

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### **About OneBeacon Professional Insurance**

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- Hospitals
- Managed Care Organizations
- Long-term Care Facilities
- Medical Facilities
- Physician Groups
- Media
- Lawyers
- Real Estate Professionals
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Additionally, OneBeacon Professional Insurance provides employment practices liability insurance, management liability and tailored products for complex organizations including health care provider excess insurance and HMO reinsurance.

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