 Marketing Mag March 2002

Evaluating the paid content bandwagon



BY JIM CARROLL

Consumers have undergone a massive behavioural change in which they learned that this marvellous digital world allows access to vast amounts of information that they haven't had to pay for

I recently had a call from a reporter who wanted to know what I thought would happen to the Internet once all the major content providers charged for their content. Like many people, he was assuming that with so much concentration in the media sector, it wouldn't be long before just a few companies controlled much of the Net and, at that point, they'd start charging for access to information. People wouldn't have any choice but to pay, and the business-model dilemma that has bedeviled so many initiatives would simply disappear.

I quickly corrected his assumption, replying that while I thought that providers would like to charge for their content, I truly doubted that many would succeed. And therein lies perhaps one of the most vexing questions in the long list of business issues related to the Net: How can we make money off the information we place online?

In a recent story in the *National Post*, Richard Peddie, CEO of Maple Leaf Sports & Entertainment, which owns the Toronto Raptors and Maple Leafs, was noted as telling the Broadcast Executives Society that in about a decade anyone watching a Leafs or Raptors game on TV would have to pay for it. This was next to a news article with the headline that Canada's "Specialty Sports Channels Bleed More Red Ink." Well, it's sort of the same issue. Peddie would like to charge people to watch his content to solve some big problems, but I doubt that many people would actually pay.

There's been a lot of buzz lately that the era of pay-for-content is upon us, with many Web developers talking about the need to cover the costs of putting valuable information online. Much of this is due to the dot-com rationalization, in which many so-called "visionaries" have discovered that a cost-greater-than-revenue equation isn't one that will drive long-term success. The buzz also comes from discussion in the boardrooms of major media organizations, as they sadly observe that their online spending far exceeds any commensurate revenues. It's become obvious to them that online advertising has not proven to be the business model needed to drag these content-rich sites out of their economic quagmire.

And so the logical conclusion seems to be: "Well, let's make readers pay for it!" It sounds simple enough, but this will probably be the most difficult problem to solve in the overall digital revolution. A recent Canadian Interactive Reid Report from Ipsos-Reid of Vancouver asked consumers if they'd be willing to pay for content. Sure, said 5% of them. That number certainly wouldn't inspire me with enthusiasm, given that the vast majority of people don't want to pay.

A story in the *New York Times* in November takes the issue one step further, reporting on another survey where 50% of respondents indicated that if a site started charging for access, they'd find an alternative. Another 36% indicated that they would simply stop looking at that type of information online.

Does this mean the idea of pay-for-content is dead? No, since there are niche markets where individuals will be willing to pay for quality information. Perhaps the best example might be GlobeinvestorGOLD.com from the folks at Globe Interactive, which is designed to appeal to the active investor eager for information that might drive their stock-trading obsession. And yet, even in that pay-for-content case, one has to wonder about whether the massive marketing expenditure that Globe Interactive is undertaking to build awareness of the site will far exceed what they might earn.

But can other content-rich sites that don't have such a niche audience assume that people will be willing to pay to access information? I don't think so, because the Internet is creating a world where information itself is devalued. When it comes to news, for example, there's no shortage of news sites online and I certainly wouldn't be willing to pay anyone for that type of information.

Even local news might not be worth that much. Some months ago, the *Winnipeg Free Press* announced that it was moving to a pay-for-access site in which anyone who is not a print subscriber and who wants access to the full site has to pay $5 a month. Great, but are a lot of people willing to pony up to the bar and pay? I'd be willing to bet there are less than a few hundred subscribers, and you can't really build a business on revenues of $1,000 a month.

The GlobeinvestorGOLD niche is comparable to the issue faced by Maple Leaf Sports & Entertainment's Peddie. Sure, an audience of hard-core hockey fans might be willing to pay for the all-hockey, all-the-time digital channels that feature old Leafs and current NHL games, but how big a market is that? Can we imagine that the other 99% of society, including all those typical beer-swilling Leafs fans, are going to shell out $5 on a Saturday night to watch a game? I highly doubt it, and think Mr. Peddie is simply pipe dreaming.

Internet users simply don't want to pay for content, whether it be news, information, music or anything else. Consumers have undergone a massive behavioural change in which they learned that this marvellous digital world allows access to vast amounts of information that they haven't had to pay for. They don't see the value of single bits of information when there is a flood of content about. And where there's no value, there's no moolah.

So what's the answer here? First and foremost, don't get swept up in the current buzz that pay-for-content is an easy solution to a difficult problem. Certainly be willing to experiment and observe, but don't grab onto the idea as a panacea. Second, experiment with niche opportunities to learn what does and does not work. Content has to have value in order for someone to be willing to pay for it, so that's what you've got to explore. And third, and perhaps the most important point, is that advertising will somehow continue to be the mainstay business model for content-rich sites. The fact that it's taking longer to unfold than expected doesn't mean you should give up on the advertising model–just put a lot more patience into your activities and business plans.

JIM CARROLL is the Mississauga, Ont.-based author of more than 30 books related to the Internet and e-commerce. His latest is Get a (Digital) Life: An Internet Reality Check *(Stoddart Publishing).*