The sharp end

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The price of knowing

Will users pay for information that they used to receive at no charge? The future of some dot-coms depends on it, as **Tim Phillips** discovers

In April 2001, users of the financial newswire Netimperative found some unusual news: the website had launched "Save Our Service", an appeal for cash to keep the free site running. While only a few of the sites members responded, Netimperative, unlike many dot-com information providers, is still here. If you're accustomed to getting your daily fix of news, business data or information services without paying then you may soon be in for a shock. Netimperative is just one information service that's about to pass round the virtual hat.

Initially, news sources feared that their online editions would cannibalise sales of the paper product: why buy a source of news or business data when you can get it for free?

But that fear has proven unfounded. Newspaper circulation, for example, remains largely unaffected. The problem is more mundane: running a website costs money, and according to Gartner Group, only three people in 1,000 are responding to the banner advertisements some sites carry. A site that relies on advertising revenue isn't going to make money soon, if ever. Someone has to provide revenue, which means that if you read information online in →

Practical magic

the future, it's increasingly likely that you'll have to pay.

Already, national broadsheets the *Telegraph*, *Times* and *Guardian* have announced plans to charge for sections of their sites. But that fails to guarantee sales, says Beth Barling, a senior analyst at AMR Research. "The technology infrastructure to charge for content is here, and has been around for some time. The sticking point is our mindset as consumers. If you want to charge for information, and there are other free sources of that information around, then you have to have a differentiator," she says, "otherwise, businesses will start to ask themselves, 'What would happen if we didn't get that information any more – what would we lose?'."

All too often the answer is "very little", believes Dennis Jones, business development manager at Nashua Telecommunications, a division of ICL that is trying to create payment systems for online information. "Whatever business model you are trying to sell on the internet, at the moment someone is giving away the same thing for free," he says, "*Encyclopedia Britannica* used to be sold like furniture, door to door. Then it went to CD-ROM for £150. Now it is given away free if you agree to watch some advertisements. They came to the conclusion that they could not charge for information that someone else was giving away for free." Increasingly, websites will be looking to differentiate, and make us pay. Customers will be offered premium product at a price, predicts Valerie Holt, group chief operating officer for internet broadcaster virtuebroadcasting. "You just can't keep on producing content if you're not paid to produce it. It's very difficult to work out the model, but the content providers will have to do it. In two or three years' time, we will find that the model will be radically different."

Pay per view?

How will users pay for this content? There are two methods that are practical: subscriptions and micropayments.

Subscriptions may be radical for websites, but for traditional information providers they're old hat. The best example is the *Wall Street Journal*, which offers online subscriptions to its content for US$59 a year – and currently has 535,000 subscribers willing to pay.

Reuters Business Information or the similar news aggregation services supplied by the Dialog Corporation offer further examples of information sources for which companies are willing to pay. David Brown, head of content development for Dialog, says that differentiation is about more than content. It can also mean convenience. For a business, time saved searching for information is money saved, too.

"We offer the search power and precision – basically, how quickly you get what you want," Brown says. "Look at the investments being made in knowledge management – that shows a commitment to giving this type of process a return on investment."

While many companies are researching the value of the knowledge in their organisation, few could put an accurate assessment on the value of an online service, he admits. Before the internet, information was budgeted, bought and paid for by "information professionals". Now that many more people in a company handle that information, how are businesses going to budget for it?

One possible idea is the micropayment. Users pay only for the story they want to read, which may cost pennies. But with credit cards being the preferred means of Web payment, small transactions that are simply impractical.

A few dedicated schemes offer electronic "wallets" to users, who stock them with cash from a credit card or company budget. But there are too many competing schemes to choose – and few users wish to make their lives more complicated. "Payment systems on the internet haven't been successful – not for technical reasons, but simply because people don't trust them. No payment system will take off unless everyone is using the same one, and right now there are four or five competing systems," says Nashua's Jones.

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Businesses are likely to struggle with the idea of micropayments. "Businesses are used to paying for their information at a significant level. They are not used to budgeting for and paying for 'itty-bitty' amounts," says AMR's Barling.

"Our research shows that people don't have problems paying for content," says Marc Kawam, vice-president of European operations and marketing at iPin, which is developing one of these micropayment systems. "But for small payments, the user experience has to be compelling." That is, it's not just about how good the information is, it's also about how easy it is to purchase.

Kawam wants micropayments to go on to mobile phone bills – not only does this method provide a convenient and secure mechanism for identifying the customer (passwords, for example, can be sent as encrypted text messages), but it will also easily accommodate corporate accounts.

Few can put a value on information currently available on the internet. But the penalty for assuming that it is a limitless source of free information will be severe, warns Barling. "The internet as a free source will always persist," she says. "But we will be forced to realise that the information we will get for free will not be the best quality."

Tim Phillips *is a freelance writer.*