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PAID CONTENT – As media keep mutating

Submitted as an exclusive by Jane Genova for DigitalMediaBuzz.com

In 2009, Chris Anderson, Patron Saint of Freeeconomics, published his manifesto in THE WALL STREET JOURNAL. It argued that free doesn't work any more as a standalone model on the web. [<http://online.wsj.com/article/SB123335678420235003.html>] Digital businesses, he counseled, need to return to “the oldest trick in the book: actually charging.”

Just like when Martin Luther nailed his theses to the church door in 1517, Anderson's declaration has been setting off a revolution in how businesses, users, marketers, and visionaries think about earning revenue from digital. In a sense, they have been given permission to shift from framing profit issues in terms of digital-only to the larger issue of what part in the media continuum can digital play and, along the way, make money for web businesses.

Matthew Egol, a partner in the Consumer and Media Practice at Booz & Company [<http://www.booz.com>], has been assisting clients around the world with just this issue from more than a year. What he demonstrates and documents is that the whole media landscape has changed, not just the digital piece. Frame your media/marketing situation

in purely digital terms, and the opportunity for success is greatly compromised or, worse, non-existent.

In the Summer 2009 article in STRATEGY+Business “The Promise of Private-label Media,” [<http://www.straetgy-business.com>], EgoI outlines the interrelated components of the new media mix and how they can fit together to build and nurture relationships with users, customers, clients, advertisers, supply chain partners, voters, and government. Paid content is one part. How helpful and profitable a part depends, contends EgoI, on how well site owners understand the links among all media.

As for paid content per se, the definition used often by digitals denotes “It is the non-free electronic ecommerce of digital content and information goods in digital media” such as the Internet, the World Wide Web or mobile media [cellphones, PDA.][http://en.wikipedia.org/wiki/Paid_content]. The latter, the mobile part, could dominate this space. Think Amazon’s handheld content reader Kindle which piggybacks on much of Apple’s strategy for monetizing selling/distributing on iPhones.

But the road to paid content has not and will not be easy. We already have high-profile failure “Times Select” at THE NEW YORK TIMES. The number-one challenge is, says John O’Dwyer who heads advertising sales at J.R. O’Dwyer Company Inc. [<http://www.odwyerpr.com>], “educating users who were accessing your content free about why they will have to now buy a subscription. The technical part was not difficult at all.”

In the beginning of 2003, the company's website <http://www.odwyer.com> migrated to making trade news and commentary about the public relations industry available only through paid membership. A digital pioneer, the site had been online since the late 1990s while other communications trade media were still solely print. That created a lot a excitement and it became, like Drudgereport.com, the must-check several times daily.

“We realized, though,” continues O’Dwyer, “that we were putting too much content online and our paid, print subscribers were abandoning us for the web.” The paid model eventually was accepted, explains O’Dwyer, because in this b-to-b niche we provide what industry players can’t get elsewhere. If you ask me about the secret of success, I would answer ‘content, content, content, along with engaging the reader.’”

Despite this challenge of persuading users to pay for what had been free, a growing number of businesses have begun experimenting with that model. In the UK, those include News Corp and Guardian Media Group [<http://www.paidcontent.co.uk.entry/419-week-in-paid-content/>]. Back in 2004, that is before the current downturn, the UK’s ONLINE JOURNALISM NEWS reported that web publishers attending the Association of Online Publishers were “riding high on a new wave of confidence in paid content, encouraged by the significant take-up of web subscriptions and more flexible payment technologies.” [<http://www.journalism.comuk/2/articles/5807.php>]

In the U.S. THE NEW YORK TIMES, after its failure with “Time Select,” is exploring paid models again, as is USA TODAY. Martha Stewart Living Omnimedia plans to charge for online downloads of archived TV show episodes. In all of these examples, such details as how to configure the paid portion and what the price points have yet to be ironed out.

That successful model of paid content – WSJ.COM – has operated so well and so smoothly, notes Egol, because its content was never free. That doesn’t mean that migrating from free to paid is so formidable that it should not be tried. Just about any model can succeed, explains Egol, “if you are offering enough value from the combination of content and applications (search, video, recommendation engines, tools) on the site as compared to freely available alternatives. Site owners must ask, and continually do so: Is the content truly a must-have?”

In addition, Egol points out the paid-content strategy is not meant for a mass audience but is “more about premium pricing and targeted audiences. The media company needs to evaluate its positioning and whether a broad scale audience and display advertising is a better strategy or whether a combination of paid and deeper relationships around a highly targeted audience is the way to go.” Those deeper relationships can be forged, details Egol:

- ❖ At home, through microsites established by food companies, e-newsletters on baby-care matters by marketers such as Johnson & Johnson, and word-of-mouth

by online communities sponsored by organizations ranging from a Fortune 100 to the Democratic Party.

- ❖ On the go, through mobile devices such as Diageo and interactive vending such as machines supported by the beverage players.

- ❖ And, in the store, by video displays maintained by vendors, interactive kiosks demonstrating the benefits of skin-care products, and interactive shopping carts invented by consumer-products pros.

Bottom line: Those seeking to monetize their digital sites through paid content have to first figure out how they can create fresh value in this mutating media continuum. Like web communications overall, they're relationship-centric, but not all relationships have equal pull power and influence.

PaidContent.org [<http://www.paidcontent.org/>] provides updates and analysis on these issues.

Jane Genova, President of Genova Writing, Coaching and More, specializes in e-strategy/e-content and ghostwriting/speechwriting. Her writing has been widely published, ranging from THE WALL STREET JOURNAL to 15 books for her own and clients's bylines <http://janegenova.com>, mgenova981@aol.com, 203-468-8579.