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Why Charging for Online Content (Mostly) Won't Work

Want to Monetize the Web? Here's How

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The "give away free content so advertisers can reach an audience" model has been around for decades, starting with free broadsheets, then radio, TV and, most recently, the internet. But the internet has, almost stubbornly, not been able to follow the inevitable ad-supported formula that accompanied "traditional media" for so long -- that consumers will accept your content in exchange for viewing ads. What went so wrong so fast?

What went wrong is that the internet is not just another media channel. It disrupted the basic laws of supply and demand. Before the web, content was a tightly controlled and distributed commodity -- a limited amount of content was distributed through highly controlled and limited channels. This was the ultimate "push" model.

The internet was the game changer because it is one big "pull" engine -- users pulling what they wanted, when they wanted it: services, connectivity and, yes, content. The tight control the media industry had on content was gone forever. Users could access content from a wider variety of sources and anyone could create content and distribute it at will.

Unfortunately, this macro, platonic and violent shift from traditional media's "push" business model to the internet's "pull" model was abrupt and claimed print media titans because they were unlucky enough to be hit with a double whammy -- high cost of print production and high cost of content creation.

And the shock waves are also being felt as they roll through the online media world's chase for a profitable business model. The internet's ad-revenue engine has proven unreliable for a few reasons. It can't guarantee a predictable "friendly" environment for advertisers given its user-generated content. It can't guarantee impressions because online ads are easy to bat away. It can't even guarantee large

audience reach efficiently and predictably. And on top of all that, online ad revenue is highly sensitive to the larger economic forces that makes it all the more unpredictable and unreliable.

No wonder we have a disconnect. No wonder content producers swing wildly from wanting to give away all their content free in exchange for ad revenue to creating a gated-content model by charging for subscriptions. I get queasy sometimes just thinking of it. But there is a way out of the quagmire and that is to evolve our understanding of how the online content monetization engine can work and why.

To monetize content requires a shift in thinking because one must move from sticking with the traditional push business model to accepting the web's "pull" approach. In making this transition we uncover where people will place value (and their dollars).

Use content to attract audiences

Content is really good at attracting audiences -- but it's not so great at directly generating revenue through gated-content subscriptions. Sorry, but you just need to get over it (unless you are the exception: The Wall Street Journal). Most people can get most content one way or another and circumventing the gated-content model is not that hard for users. Media companies trying to figure out how to plug all the naturally leaky ways content gets out there is like trying to win at whack-a-mole. Frustratingly unsatisfying.

Create a community to coalesce audiences

This is the magic moment when content can begin to drive revenue because once you have the audience -- thanks to your content -- you have the mechanism to create compelling community experiences. The benefit of a community is that this shifts users' loyalty from just your content, available in lots of online places, to your site because of the community. The revenue possibilities expand as your community creates the all-important "sticky" user experience.

Successful communities utilize all the new social-networking tools and technology to create vibrant user interactions. They introduce technology that lets members engage in real time with each other, they permit many forms of self-broadcasting and publishing, and they provide a platform for members to connect around a shared passion or issue.

Ignite passion in your community and the content monetization engine begins to stir.

Leverage the power of your community to drive revenue

Once you have established a core community of users, this is where monetization can occur because now you are in a position to: a) offer a variety of services or products to your members; b) leverage the power base you have created; and c) you will probably see more ad revenue (though probably not for some time).

Here are some examples of effective community revenue opportunities:

- Provide services to enhance community connectivity using video and audio
- Offer products to introduce "fun" into user interactivities (Facebook does this better than anyone)
- Integrate technology to provide members with video, broadcasting, and content creation tools
- Enable new ways for members to access content via multiformat services
- Create new programs where community members can be rewarded for their participation (e.g., converting members into affiliates)

Anything that captures your community's passion is an opportunity for new revenue.

In case you are wondering whether this monetization engine works in the real world, there are great examples to study. Sites such as TechCrunch, Huffington Post and Mashable (click here as Mashable's CEO explains its business model on Bloomberg) are particularly effective at attracting users through content and then sustaining user engagements profitably through enriched community experiences.

Now that the engine is in place, hear that content monetization engine roar. Or, should I say, cha'ching.

ABOUT THE AUTHOR

Judy Shapiro is senior VP at Paltalk and has held senior marketing positions at Comodo, Computer Associates, Lucent Technologies, AT&T and Bell Labs. Her blog, [Trench Wars](#), provides insights on how to create business value on the internet.

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