Chapter 6
The Problem with Free Web Content

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ABSTRACT

This chapter will discuss the concept, nature and implications of free web content; with a focus on the problems caused by the rise of this phenomenon in the recent and rapidly flourishing digital age. A pricing strategy will also be proposed as part of our solution to regulate the use of free web content. As part of the proposed recommendation, a case study on Singapore Press Holdings has been conducted to assess to a certain extent, the impact of free web content on a traditional business model. This will determine if the organization is making correct judgment calls, media changes and business decisions, which helps to assimilate the new digital model, and hence, establish a possible guideline to the correct method in which businesses should be heading towards in order to succeed in this digital age.

INTRODUCTION

In the late 1990's when the Internet boom caused the saturation of the dot-com companies, business models were focused on targeting users at zero revenue. Market strategy consisted in investing in all the effort in technology and developers to build platforms on the web in order to attract more and more customers; however the concern of gaining profits was placed in the background (Wikipedia, 2010).

Dot-com companies like *Hotmail* and *Nupedia* did not get any profit in their first years of operations. While Hotmail spent capital on extending

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its users adepts by granting email accounts for free, *Nupedia* struggled to invest lots of capital in professionals - editors, writers and academics. This will maintain constant updates of their free online encyclopedia updated (Geuss, 2010). These events led to the prejudices we know as the dot-com bubble whereby many companies went to bankruptcy like *Nupedia*, others had to be sold out like *Hotmail* and the rest were forced to reconsider their business model. Perhaps this was the first catastrophe registered on the Internet caused by the impact of "free content" phenomenon. Consequently some survivors to the bubble bust like Google, Amazon and Microsoft would apply different strategies to maintain their life on the network but not precisely giving everything for free.

This chapter seeks to discover the consequences of the distribution of free content in the digital media market on the web, based on the perspective of the players (customers, authors and media companies) and the application of the concept of "free".

Literature Review

The term "free-content" as by suggested Anderson (2008) implies two different concepts of free. The first involves giving away some products or services to one set of customers, while selling to another set, where the free products are bundled with other products that that have a price; for instance cell phones given for free but bundled with a very expensive monthly plan. The second approach is the utilization of the low or almost no cost of the digital network to distribute products or services almost gratis, where online newspapers, radio stations, music, videos, books are involved.

This low cost of the digital network is attributable to Web being able to target anyone, in any place of the globe, at any time, and deliver content rapidly is superior to any other existing distribution channel. The concept of free requires the following four conditions (Freedom Defined Organization, 2008):

- Free to use the work and enjoy the benefits of using it.
- Free to study the work and to apply knowledge acquired from it
- Free to make and redistribute copies, in whole or in part, of the information or expression.
- Free to make changes and improvements, and to distribute derivative works.

When some of these conditions are not applicable in content, then the concept of free is lost.

How Free-Content Works

Various strategies are implemented by online content providers in order to apply the concept of free by not getting profits from the content itself. Some of these strategies are explained below.

Free in Exchange for Advertising

The majority of online services are free. Users do not need to pay to use them. Content providers, on the other hand, generate revenue from the promoters who wish to advertise on their website (Iskold, 2008). In this manner more customers will come to the site to get their contents for free, and more advertisers will be pleased with the increased traffic of patrons. More advertisements will then be put up and the website which in turn generates more revenues. An example of this strategy is implemented by Google, as it promotes services or products through ads called "AdWords", which are shown in its search engine via its powerful platform (Google, 2010). Consequently promoters pay Google based on the numbers of times their ad was clicked, a pay-per-click model and Google in exchange gets substantial revenues to provide free and fast search results to its users.

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