

eContent: What Are “They” Doing Next?

Author's Note: This is an essay version of the 30-minute keynote delivered to the attendees of the Buying & Selling eContent Conference. The conference--owned by Information Today, Inc.--took place on April 14 and 15, 2008, in Scottsdale, Arizona. The “they” in the title refers to large companies encroaching on traditional publishing and broadcast media companies. This essay may be used for educational and research purposes. If you want to use it for a commercial purpose, please, contact sa at arnoldit.com for permission. Thank you, Stephen E. Arnold, ArnoldIT.com, Harrod's Creek, Kentucky.

Introduction

Roman generals like Caesar relied on towers spaced about 3000 feet apart. Torch signals allowed messages to be passed. Routine communications relied on Rome's version of the “pony express”, based on innovations in Persia centuries before Rome. Today, you rely on email and your mobile phones. Those in the teens and tweens Twitter and use “instant” social messaging systems like those in Facebook and Google Mail. Imagine how difficult it would be for Caesar to understand the technology behind Twitter. but how many of you think Caesar would have hit upon a tactical use of this “faster than flares” technology? Would Caesar fret and dither because a disruptive technology could create an advantage for him? Would Caesar resist engineering advances to achieve his goal? An interesting question to ask is, “Why have so many traditional publishing companies and media companies acted without the purpose, flexibility, and resolve of a Caesar? He rode a horse, lived in a tent, and, we must not forget, won an empire. You and I are in a resort, sleeping in a fluffy bed, and enjoying the air conditioning.

Living through Revolutions

I've lived through four computing revolutions. The first was in 1963 when I took my first programming class, limited to 15 students. I was lucky because mine was the first class to use punched cards. The 1962 class moved wires in IBM mainframes. The second was the emergence and shift to mini-computers like the DEC PDP 11. I was responsible for these machines at Halliburton Nuclear in 1971. Then in 1981, I replaced a Wang OIS with a whopping 64 megabytes of RAM and a Z80 processor with an IBM PC. At home, I had an Apple II. In 1993, the Web was discovered because of Tim Berners-Lee point-and-click interface enabled by a step child of SGML (Standard Generalized Markup Language). Today, I'm shifting from locally-installed client-server computers to the “cloud”, a synonym for 21st-century timesharing.

Now I feel old. I don't understand some TV commercials. I don't have a Facebook page. I don't buy a new mobile phone every three months. I don't follow new music on MySpace.com. I remember when computers were locked up in air conditioned cubes, and I controlled who got to use them. What great way to get a date in 1962!

As these “revolutions” have taken place in computing, equally important changes have occurred in other business sectors. Everyone reading this essay or listening to me knows that “gatekeepers” - librarians, print publishers, music companies, ad agencies, and commercial database publishers - find themselves in the same spot guilds were when the Industrial Revolution swept through England. Specialists watched their expertise slip away and then become part of the power loom, the assembly line, and the factory. The idea of expertise diffusing and then solidifying in an “infernal contraption” continues today. We hear a great deal about speed with major dislocations in business taking place in a “blink”. But even major events like the Bear Sterns meltdown in 48 hours in early March 2008 receive a squirt of thrust from each node in a communication link.

Now I feel like I'm moving in slow motion. My Financial Times arrived twice a week so I cancelled my subscription. The Courier Journal newspaper, where I worked for many years, contains information I saw 72 hours earlier in my Google feedreader, so I cancelled my subscription. Same with magazines. Even though I worked for Bill Ziff--the most despised entrepreneur in New York on occasion--I find that magazines have the feel of a museum exhibit guide. The hot information is digital. Real time. Now that immediacy is moving into the enterprise.

Enterprise Publishing: A New Business Space

Raise your hand if you know what this buzzword means? *Enterprise publishing system* or EPS. Recognize it?

One interesting shift in publishing has taken place in large enterprises. In May 2007, IBM formed a new company called InfoPrint. By the end of 2007, Ricoh had invested more than \$500 million in InfoPrint, giving the company a capitalization of \$1.2 billion. In 2007, a \$100 million per year operation in Lexington, Kentucky, called Exstream Publishing received cash and bank backing of about \$550 million. Then in February 2008, Hewlett Packard paid about \$1.2 billion for this company. In between these two events, Optio - a struggling enterprise publishing operation in Atlanta - sold to a little-known services company called Bottomline for a paltry \$44 million. Optio, however, was teetering on the financial edge and reported revenues of \$30 million but was losing money.

What's this sector? It's enterprise publishing.

The idea is that a large company can use one of these aggregation super systems to manage an enterprise's information. These systems can generate Web pages, messages for mobile devices, but these systems are adept at producing invoices that contain information pertinent to each customer.

One example is a defined benefits statement. Another is an automobile payment notice that contains pictures of accessories for the recipient's automobile, a coupon for an oil change, and a breakdown of financing options. That's why Ricoh invested. That's why Hewlett Packard decided to buy Exstream and integrate it into its printer business. That's why Bottomline bought a money-losing company with 5,500 customers.

This is a new sector created because content management systems don't work very well. That's right. EMC's Documentum, Oracle Interwoven, and Vignette "talk a good game". But these systems often prove themselves as better at generating a Web site than making "smart" content repurposing work in large organizations. I'm not sure if the CMS vendors realize their world has begun to change. It has.

Publishing is now becoming a key part of organizations. I know you hear a great deal about competition from Web log authors, and I am one. Check out my daily feature and news stories at www.arnoldit.com/ wordpress. But there are other significant publishing shifts underway.

Microsoft: SharePoint and Silverlight

I want to mention one more example. This time I will highlight Silverlight. Its catchphrase is "Light up the Web". Microsoft Silverlight is a cross-browser, cross-platform, and cross-device plug-in for delivering the next generation of Dot.NET based media experiences and rich interactive applications for the Web. By using Expression Studio and Visual Studio, designers and developers can collaborate more effectively using the skills they have today to light up the Web of tomorrow.

In simple terms, Microsoft wants to make it easy for developers to create commercial-grade interactive “experiences”. These can be used for training, marketing, and communicating.

If you are in college, Silverlight along with Adobe's tools makes it possible to “put a motion picture and multi-media company in your notebook computer”.

The London guild members with their “letters patent” have echoed through the centuries when motion picture and television companies develop and appreciation for these new “smart” tools.

It's not “the Internet”. It's an ecosystem that is allowing its residents to define new ways of doing tasks, allowing new values to be assigned, and making it easy for technologies to breed.

Let's shift our focus from these examples to three facets of the ecosystem in which we now live and work. I will try to avoid technical jargon and add some color to these issues, drawing where I can on the research for my new study, Beyond Search, published by Frank Gilbane, owner of The Gilbane Group.

Google as Publisher

In 2006, Google bought Joe Kraus's JotSpot. This start up from the founder of Excite.com brought fill-in-the-blank authoring to organizations. Unlike Web forms, the JotSpot system was a cloud-based service. Like Amazon's EC2 and S3, Mr. Kraus offered a publishing system that could be used without a local installation. Google has taken the JotSpot technology and begun the process of integrating its functions into its enterprise applications.

In a recent exchange with IBM, I learned that IBM “understands” Google's strategy. I can't reveal the author of this IBM letter, but I want to quote from it. The author reports directly to the president of IBM in Armonk, New York, and he does a good job of explaining IBM's understanding of enterprise publishing. The letter is a response to a consulting firm's offer to review Google's publishing activities. Keep in mind the \$1.2 billion deal:

“As a technology and services provider, IBM has relationships with Google that provide us with additional insights into their business. We have studied their technology and actions, and as a result do not agree with the severity of the threat assessment you documented in your letters. We do not plan to take any additional action at this time.” (February 14, 2008)

Let me provide some color on Google's publishing capabilities. I have time for one example only-Google janitors. Now don't think of these janitors as having mops and brooms. These janitors are software machines that scour data for specific, useful elements. Then the janitors “clean up the data”; that is, figure out conflicts in phone numbers and addresses. Then, the janitors add value to the normalized items so the Google system can generate a report. One public example of this report is a dossier on the pop star and cultural icon Michael Jackson. The information in this dossier includes:

- Nicknames
- Biographical summary
- List of employers
- Contact information

Imagine how useful this type of “janitor” service would be to a researcher needing a company profile, a snapshot of a “person of interest”, or a run down on the use of a particular technology.

This is just one of more than two dozen publishing related “inventions” that Google has disclosed. I wonder how many of these have the potential to impinge on the new InfoPrint business that IBM and Ricoh are now selling.

The Real Battlefield: Business Models

Technology in general form (“The Internet”) or in specific form (Google Gears) attracts the attention. In my work, I hear quite a bit about technology. Even non-tech outfits like consulting firms invest considerable effort to track, acquire, and use technology. The effort is well-intentioned, and in my opinion, is proof that managers and consultants understand their knowledge gap.

The emphasis is off by three or four degrees. Technology-particularly the fast-cycle programming techniques, open source tools, cloud-based computing, and the other artifacts of computer science-is the flip side of the coin of commerce.

The other side is the business model. These tools by themselves don't “do” anything. What makes the tools powerful is that these can be used to craft solutions that permit different types of monetization. I want to give you one example, and it is one that will be quite familiar to those of you with ad-sales departments.

Google allows a Web site operator to log on and bid for keywords. This idea did not originate with Google. In fact, Google paid Yahoo about \$1.0 billion before its 2004 IPO to make a legal matter go away. Google imitated Yahoo's Overture ad system and improved upon it.

But Google “followed the clicks”. Google allows a Web site operator to put Google AdSense on the site. When a visitor to the site-possibly attracted by the Web site operator's Google ad-the visitor sees more Google ads. If the visitor clicks (which about 1.3 in a 100 visitors do if my sources are correct), the Web site operator gets paid. This results in what the MBAs call “a virtuous circle”.

Traditional advertising lacks this business model. Google doesn't need the same type of infrastructure a newspaper ad sales unit does. The difference is measured in the profit Google earns on even tiny ad buys. Google has more than 48 patents and patent applications that create more ways for advertisers to reach Web users. Traditional advertisers don't have this capability.

The coin, therefore, has two sides. If you have only one side-technology-you lose half the time. The odds are against any organization that thinks technology alone is the way to increased revenue.

Let's look at a second issue. A popular motion picture is about machines that can change themselves. Need a fire burst. No problem. The transformer “morphs” a blow torch. Need a rotating saw. Again, no problem.

Transforming has become a powerful metaphor for kids of all ages who find the idea of on-the-fly change entertaining and satisfying. Why should a device only have one function?

That's a good question.

Think of a traditional book-say, for example, the venerable Norton Anthology of English Literature, Volumes 1 and 2. Why shouldn't a reader be able to transform that information into a version of the book that meets the need of an author in search of a quotation? My procedure for this operation would be to sit down with the two volumes and flip through the pages, being careful not to tear or wrinkle them. I have my Norton Anthologies, so I can scan for my annotations from my college days.

But a student today wants to manipulate the text with a browser. With a few clicks and some keystrokes, the “computer” identifies potentially useful passages, displays them, and summarizes their key ideas. A click and a drag copies the quote. A keystroke inserts the quotation into the document or writes it to a file.

Instant, informed research.

Meanwhile, I am still flipping pages. I use a procedure that would be familiar to a priest writing a homily in the 7th-century in a Greek monastery.

The idea of transformation, then, has several interesting implications for me. First, it allows more “work” to be done in an interval of time. Second, the process of finding, copying, and documenting a source is shifted from the researcher to a “system”. The labor much loved by traditionalists has been, in a nonce, eliminated. Somehow the research is less “real” which is why some Ph.D. programs won't accept publications on the Internet. A fungible journal is somehow more real even though traditional journals are chock full of errors, plagiarism, and addled logic.

The issue is not change. The issue is the speed, ease, facility, and intangible nature of the transformation itself. Not surprisingly, transformation is a threat to many disciplines, businesses, and work techniques. Traditional publishers of media are not adept transformationists. The music industry's flailing is an excellent example. Trent Razor's new album generated in transformation mode more than \$1.0 with none of the costs and hassle of traditional music publishing. We don't know much about the impact of transformation because attention has been directed elsewhere. Perhaps industry groups will correct this focus. It's long overdue.

Innovation itself is now different. Microsoft, for example, is acquiring Fast Search & Transfer SA and Yahoo in an effort to infuse new ideas with existing Microsoft products and services. SAS bought Teragram, one of the 150 content processing companies to get a fresh opportunity in business intelligence. Venture capitalists fund start up after start up, leaving some old-line companies starved for capital in our financially-stressed business system.

For traditional companies, it's unlikely that innovation will come from within. Organizations engaged in “creative” businesses like publishing, motion picture production, and music believe that their core competency is innovation.

Some Examples

I beg to differ. These organizations are gatekeepers. Innovation has shifted downwards into a broad sector of people who no longer run the gauntlet to success. Let me give you three examples.

First, YouTube.com. Arguable, YouTube.com is the largest media entity in the United States. According to my sources, YouTube.com receives more than one million submissions every 30 days. That works out to almost 13 million video uploads a year. There's a great deal of chaff, but the winners are there. Google can identify these by the clicks each accrues. How does a traditional video scout compete?

Second, Web logs are online Web pages that can be updated in near real time. The Web log is little more than an online form. A person “fills in the blanks” and hits “publish.” Instant news. Web logs or blogs are a long form. These are now undergoing transformation into short real time variants called “tweets” and in Japan, an entirely new literary genre called “mobile phone novels”. The importance of these two new media variants is that authors emerge and can monetize their work. Blogs derive revenue from online ads. Some bloggers have become celebrities, existing in a new world between traditional print and television broadcasting. Podcasts are little more than spoken or video blogs. How can a TV news production team innovate in this space?

Third, no barrier to starting up a new company. A 20-something can create a Web site for less than \$5,000. That's what the founders of Digg.com did. Then the team created a social site called Pownce. Next, the group formed an online media outlet called Rev3. The valuation of these properties is in the hundreds of

million, maybe even a billion dollars or more.

The message is clear. The key to growth is tracking, analyzing, and acquiring promising zero capital start ups. Investing two or three million in a new magazine has a trajectory everyone reading this understands. Acquisition and investment outside of an organization is the key to new revenue.

These three points are bitter pills for gatekeepers to swallow. Keep in mind that I am sharing my view of the traditional content "space". I didn't create the ecosystem. Some of you look as if you want to decapitate the messenger.

Wrap Up

In closing, let me leave you with four thoughts:

1. Ages and stages. This is a normal cycle through history. Adapt.
2. Bring perception to this revolution. Ignoring what's happening increases risk.
3. Move from user to sculptor. There's a different between using an automatic teller machine and programming the ATM. Technology is one side of the coin.
4. Drown in bytes. No, surf on bytes. Figure out how to surf. It's fund and let's the surfer perceive new possibilities.

One final thought: surf on Google. The 10-year-old start up is likely to be with us for the foreseeable future.

Stephen Arnold, April 11, 2008