



SM

# InfoAboutInfo

B R I E F I N G

## TrendAlert: Channel Shake-Up – Disruptions In The Landscape For Enterprise Buyers

### In This Briefing

Why This Topic? .....	2
A Note on Methodology .....	2
Changing Markets, Changing Users Heat Up a Stew of Uncertainty .....	4
Recent Growth of GYM a Major Disrupter of Market Dynamics for Content Distribution .....	4
User Behaviors Poised to Disrupt the Market as Digital Natives Take Over .....	5
New Technologies Upend Traditional Relationships .....	5
Are Publishers Taking Back the Channel? Not Exactly.....	7
Can't Live with Them, Can't Live without Them – Newspaper Publishers Warily Accommodate GYM Aggregators .....	7
Scientific, Technical & Medical (STM) Relies on the Tried and True While Building for the Future.....	10
B2B Trade Publishers Are Betwixt and Between as Some Aggregator Revenues Move from Incidental to Essential.....	14
B2B Trade and News Aggregators: Enterprise Channel and Workflow Products Draw Publishers On-Board .....	16
Market Research, Reports & Services (IT and Non-IT) – Strong Captive Channels with Experimentation in New Channels.....	17
Imperatives for Information Managers.....	20

TrendAlert: Channel Shake-Up – Disruptions In The Landscape For Enterprise Buyers  
Volume 9, May 5, 2006 © Outsell Inc. All Rights Reserved.

Outsell, Inc. is the owner of and shall retain all copyrights, including licensing rights, to all of the information included in this report, including but not limited to research design, methods, data, and data formats. As a user of this report you acknowledge that you are only licensing the information, and that Outsell, Inc. retains title to all Outsell information. You are permitted to distribute, disseminate, disclose, copy, or otherwise make use of the information within your immediate work group only, unless your organization has obtained a content license. Information cannot be used with, or redistributed to, external customers, consultants, or suppliers. If you require broader distribution of any kind, please contact us. Wherever and whenever the document, or any portion thereof, is disseminated, it must bear the following: "© Outsell, Inc. All Rights Reserved." To purchase multiple copies and licensing rights please e-mail us at reports@outsellinc.com.



## Why This Topic?

**Bottom Line** Procuring content for the enterprise has never been more complicated or challenging. Technology and the rise of agile and unique companies that play differently have upset the tried-and-true channels and methods for information distribution, compelling the more established information providers to experiment and shift their own models. With a better understanding of the landscape, information managers can hone their strategies for operating in this fluid environment.

The ongoing tug-of-war between newspapers and Google, Yahoo!, and MSN (collectively, GYM) on both news coverage and advertising, the recent imposition on aggregators of embargoes by the *Financial Times* and the continued existence of other embargoes, the occasional disappearance of content from “traditional” STM aggregators, and the growing number of publishers with their own destination journals Web sites with unique content – and sometimes even with aggregated data – all signify uncertainties and unrest in the information market.

With the growing market share of the search engines such as the GYM companies disrupting the landscape, Outsell clients have been asking whether publisher experimentation with various strategies for distribution amounts to a real change in market dynamics – *are* publishers taking back the channel? Does this vary by market?

In this TrendAlert, Outsell sets out to discover what publishers across various markets are doing in terms of licensing, distribution, and syndication, and what changes they see coming, as well as how aggregators view their value and continued relationships with publishers. For information management (IM) leaders, it provides a basis for understanding this shifting landscape, and several recommendations for action.

### A Note on Methodology

In order to understand the psyche of information publishers and aggregators regarding their mutual relationships and to understand how current shifts in distribution, licensing, and syndication strategies vary by market, Outsell analysts conducted interviews with 22 top executives and CEOs from News, B2B Trade, and Scientific, Technical & Medical (STM) publishers and aggregators; and Market Research, Reports & Services (IT and Non-IT) creators and distributors. Specifically, we probed for information on:

- Syndication as an outlet for new markets.
- How publishers make channel decisions today.
- What forms of disaggregation exist (e.g., embargoes, selective syndication of content).
- Distinctions that may exist in publishers’ minds between open-Web consumer and behind-the-firewall institutional users.

- Perceptions of competition between publishers and aggregators.
- Partnerships publishers may make in going direct to users.
- Value of aggregation as seen by both publishers and aggregators.
- Financial dynamics driving distribution decisions.
- How the GYM companies are viewed in this mix – whether they are thought about differently than the traditional aggregators.
- If they're planning on “taking back the channel.”

These wide-ranging and detailed interviews allowed us to build a picture of what publishers and aggregators are thinking in each of the markets surveyed.

## Changing Markets, Changing Users Heat Up a Stew of Uncertainty

### Bottom Line

With their rapid growth in the information space relative to the traditional players, the GYM companies are shaking up the industry in ways that aren't necessarily clear to the players yet, although all publishers are experimenting with new models for content distribution in an effort to adapt to the market, including working with Google and Yahoo! On the technology front, distribution options are becoming more varied and easier to implement. Web sites, RSS feeds, podcasts, and videocasts all put new distribution and product capabilities into the hands of even the smallest publisher. And finally, a new generation of information users is coming along – users not so oriented toward print or even traditional online searching, but more accustomed to managing their own channels of information, effectively becoming their own aggregators.

### Recent Growth of GYM a Major Disrupter of Market Dynamics for Content Distribution

Google and Yahoo! were the primary drivers of information industry growth in the past year, and took overall market share from other information providers while dramatically changing the information industry landscape. In fact, over half of the top 20 industry leaders actually lost market share, and some of the growth of the remaining players was due to acquisitions, as significant organic growth increasingly eludes the traditional players. The growth rate of the new search and aggregation players is notable in a three-year view and clearly shows an upward trajectory of disruption by the major new players, as the following table shows.

#### Revenue for GYM

Company	2003 Revenues (000s)	2004 Revenues (000s)	2005 Revenues (000s)	Est. 2004-2005 Growth Rate
Google, Inc.	\$1,465,934	\$3,189,223	\$6,139,000	92.5%
Yahoo!, Inc.	\$1,625,097	\$3,574,517	\$5,257,668	47.1%
MSN	\$1,953,000	\$2,216,000	\$2,274,000	2.6%

Source: Outsell's Publishers and Information Providers Database; Company Reports  
© 2006 Outsell, Inc. Reproduction strictly prohibited.

Although they don't provide the special features, services, and integration into institutional systems offered by traditional aggregators such as Dialog, LexisNexis, or Factiva, the GYM companies' threat is in the clear signal that content distribution is changing in an increasingly end-user-driven market. The professional online information market is a mature one, marked by mergers and acquisitions, and organic growth is harder to come by; this of course affects the way in which all publishers and aggregators work together.

## **User Behaviors Poised to Disrupt the Market as Digital Natives Take Over**

Outsell research shows that the next generation of users, currently still in graduate school or younger, is on the forefront in the latest distribution technologies:

- More than 71 percent of graduate and undergraduate students use wireless, handheld devices.
- While 50 percent of all users have tried blogs, RSS feeds, podcasts, video casting, or virtual human functionality, that number jumps to 85 percent when only undergraduates are included.
- Students using the latest technologies are not just using them for entertainment and travel – 33 percent report using such technologies for Science and Nature, 33 percent for News and Media, and 44 percent for Social, Cultural, and Arts purposes.

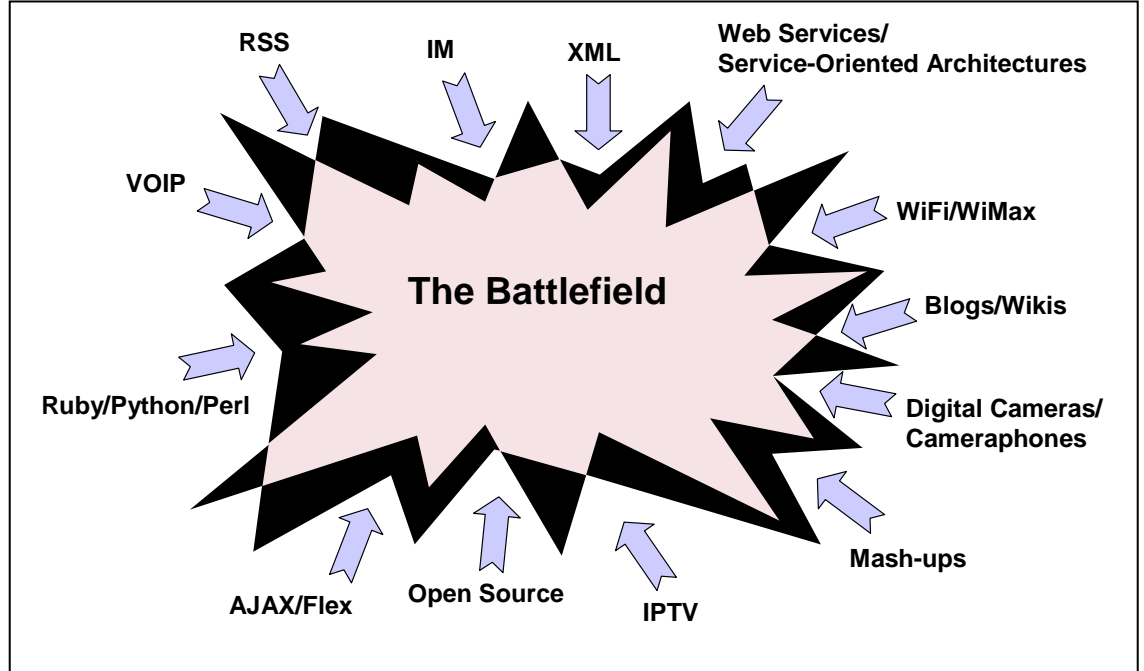
As the digital natives move into positions of influence within organizations, we predict that they will favor more distributed models, in which they in effect become their own aggregators of the discrete portions of content that answer individual needs over traditional information activities such as searching and reading pre-packaged content.

## **New Technologies Upend Traditional Relationships**

The continuing merging of technology with information is starting to rearrange the formerly hierarchical flow of content from creation through use. The result is a sort of disintermediation of the hierarchy, enabling authors to publish and organize content that can be viewed by anyone with access to the Internet, sometimes without going through intermediary layers of publishers and aggregators, and sometimes channeled through the new GYM aggregators. Content is being monetized from publisher to consumer through one or several stops, but it is unclear today which channels will maintain major market share.

Search engines such as Google, Yahoo!, Feedster, and others are only too happy to help content owners find readers and potential buyers. On the other end, RSS readers provide information consumers with the ability to self-aggregate information that they are interested in by mixing and matching feeds from free and paid content sources. Throw in tools and technologies such as mash-ups, AJAX, Ruby, or Perl, as shown in the following graphic, and you have the makings of the next skirmish in the information wars, pitting premium content owners and publishers against aggregators and even users in the battle to decide who gets what information, from which source, and at what cost.

## The Battlefield



Source: Outsell, Inc.  
© 2006 Outsell, Inc. Reproduction strictly prohibited.

Astute traditional aggregators will rise to the occasion and figure out how to morph their value propositions to turn the battlefield shown above into a playing field. By providing rich media, componentized architectures while allowing customers to create mash-ups based on the aggregator's technology and content, these aggregators can stay in the game.



## Are Publishers Taking Back the Channel? Not Exactly

### Bottom Line

**Most publishers are using a mix of their own Web platforms and distributors, but the motivations for distribution decisions and dynamics between publishers and aggregators vary by market segment, partly based on the historical context and the maturity of the market and partly based on the nature of the content itself. Research information, which has a long shelf life and is relatively difficult to create, has a different set of publisher/aggregator dynamics than information in the fast-paced news environment. But the fact is that all players face the huge uncertainties of a future in which the search companies are grabbing information market share and both technologies and users continue to change. These uncertainties drive experimentation and turmoil, as companies struggle to determine the best way to grow their business in a time when organic growth has proven elusive. But in most markets, aggregators are still proving themselves through revenues delivered to publishers, and few publishers are willing to turn their backs completely on a steady revenue stream, even for a long-term vision.**

A market-by-market look at the publishing landscape shows that publishers are all over the map on channel decisions – when they have the luxury of making the decisions rather than having them forced upon them.

### **Can't Live with Them, Can't Live without Them – Newspaper Publishers Warily Accommodate GYM Aggregators**

In today's media world, news often finds us, rather than us having to go out and find it for ourselves. Ubiquitous TV (at the health club, in the elevator, seemingly everywhere), radio in the car and at home, the Web through desktop, laptop, and phone, and the newspaper itself, too, often piling up in busy households – we're surrounded by the news, it seems. The Web was made for short-form news, and for its aggregation. Users have eagerly embraced the channel aggregators, making Yahoo! News the No. 1 site for news use, with other aggregators not far behind, and stand-alone, single-brand sites well behind. Brand is still important, but it no longer controls its own channels. The content packages historically produced by publishers in print have been blown apart, disaggregated by all things digital.

Everywhere we turn, we find online content that once was the primary province of newspapers, augmented by national and international news feeds, now served up and accompanied by the GYM aggregators' innovative new advertising models. Sports scores, weather, comics, movie and stock listings, and much local news (and advertising, including classified) have been brought together. Blogs, yellow pages, and classified ads have been re-aggregated, leaving publishers too often feeling like the world has left them behind.

While news still commands a vast audience – larger than ever, counting online news users – the traditional print news business is marked by circulation declines as readers, especially the younger ones, go online to the big all-in-one aggregator sites, which many prefer to stand-alone newspaper and magazine sites. With the average age of print news readers now at 55, and advertisers asking for more innovative, directly measurable advertising models, newspaper publishers are squeezed from all sides. Their challenge to maintain stable profits while innovating new models to meet changing reader and advertiser needs is a particularly acute example of similar pressure in other markets.

Against this backdrop, news publishers hold on to the remote control of channel-picking, many with an uneasy hand. They'd like to ratchet back on distribution overall, relying on their own Web sites, just like in the good old print days of direct distribution. Unfortunately, their own destination site stats and related revenue tell them that the most comfortable strategy won't fly.

Most bedeviling for news publishers is the determination of the value of non-proprietary distribution channels.

They understand the reliable, if small, revenue streams they can achieve from their longstanding relationships with archival and reprint providers (which are discussed in the business-to-business (B2B) section below). Indeed, publishers' interest in a role in Google Premium – the long-awaited Google access to paid content from within Google search pages, now due by mid-year – underlines this preference for working revenue streams with which they are historically comfortable.

They are reluctant to license their full-text news content to any popular open-Web free sites, preferring the comfort and reliable checks they get from such enterprise distributors as LexisNexis and Factiva, and academic distributors like NewsBank and ProQuest. Their rule of thumb has been to license *full-text* only behind the walls, and provide as little content as possible to Web competitors. Some have provided content to smaller aggregators like HighBeam and KeepMedia, willing to test such deals while retaining their wariness of GYM. Few have found any way of working with mobile carriers, given their issues with providing timely, geo-coded content in formats useful to the carriers.

The newspaper industry's experience with The Associated Press' distribution of content to GYM is instructive. Early on, AP began licensing full-text content to Yahoo! and MSN, believing that the revenues derived would help defray the costs of digitally oriented and (now) multimedia programming. AP has been successful in winning millions of dollars in revenues, building its products, and keeping down costs for its owners – the publishers. Over the years, though, many of those publishers have complained that AP should not sell AP-staff-written content to GYM, or that it is selling it too cheaply. The controversy swirls years after the initial deal; Outsell believes it has so far produced more noise than light, and that only a market determination done by the players involved will settle the question – and establish new deal-oriented metrics to act on.

Channel partners can, of course, be helpful as the big ponds in which to throw multiple lures. GYM companies have the news readers publishers covet. Companies like Knight Ridder are typical, having moved forward and back several times, allowing headlines and summaries to be used to greater and lesser extents (and even throwing in some full-text to sweeten the deal). Why are news publishers so uncertain about how much to commit to GYM+ distribution?

The answer is relatively simple: they're not sure what value they are getting. Is a click from a distributed headline worth a penny or a nickel? Publishers aren't sure.

Ask them, though, how much revenue they drive by *buying distribution* through a Google AdSense or a Yahoo! News distribution program, and many are stymied. Do they count just the first page that a GYM distribution deal yields, or more than one? Can they track to see if a driven-in customer actually registers with the site; if so, what's the value of that registrant? Can they track different kinds of users, those that come and use high-CPM pages rather than lower-CPM sports pages?

Publishers' inability to answer these questions hampers their ability to cut and then track the distribution deals that might feed their businesses – or to redraw the deals to meet market realities.

Few publishers have a single point of knowledge like Steve Sutton, who serves as VP/Audience Development for ZD Net and is keen to measure one type of distribution deal against another. In many enterprises, distribution deals are one-offs done by business development staff without a whole view and review for strategic action.

The conundrums can be as head-pounding for the search aggregators as for the publishers. Yahoo! News has tried several approaches to being seen as a publishers' friend. Now Neil Budde, head of Yahoo! News, believes – after listening to publishers – that providing access to publishers' RSS feeds for local news is the way to go. That may or may not provide the kind of user experience and business opportunity all parties need, but it seems to be the Yahoo! News/publisher compromise of the moment.

With GYM's potential distribution power for news undeniable, news publishers are coming to terms with this reality, and many work with Google to build traffic for monetization or provide RSS feeds to Yahoo! News. The top areas of concern in working with GYM are deciding how, and on which products, to acknowledge GYM's strength, and making sense of the nuanced and evolving differences among these aggregators and how to best exploit them.

One news publishing executive sees significant distribution deals with GYM as a way of stopping further encroachment in the content creation area: "If we *don't* step up, it *will* be filled by them .... If the void is not filled, it will be bought – the creators will be bought. This is the end game here. If we're going to have a role, we've got to step up and stake out a role via smart business relationships. New business is to be had and growth is to be had in the GYM network."

Another executive pointed out that "We need to get so local that GYM would be unable to be a better source."

In Outsell's opinion, making a last stand on local news and advertising makes sense, but unfortunately the industry has not taken a uniform approach. Often the same company is going in several directions at once, reversing itself, and diluting its approach. Outsell recommends that news companies collectively come to a consensus about which way to act, so that they'll be managing their channel from a collectively stronger point of negotiation.

Additionally, publishers clearly need to get a good handle on the metrics and values of new non-enterprise, non-academic licensing and distribution agreements. Outsell believes industry-wide metrics should emerge and be shared, to create the kind of content exchange vision that so far has only seen the light of a public relations release.

One news executive who has done more of his homework recently summed up an activist approach we think should be acted on more: "We just completed a new agreement with Yahoo! They thought it was better than the old deal, and so did we."

The bottom line on the news industry is that the channel has been largely snatched from these publishers, and although they would love to snatch it back, a more realistic strategy is going to be learning to work with a wide variety of channels – based on an appropriate understanding of metrics and what that means for the value of various channels.

## **Scientific, Technical & Medical (STM) Relies on the Tried and True While Building for the Future**

STM publishers have a rich online tradition to rely on in times of turmoil. The world of STM publishing consists of two separate but related parts – secondary publishing of bibliographic databases, and primary publishing of books, reports, and journals. Secondary publishers have relationships with aggregators of electronic information often going back well over 30 years, to a time when aggregators were the primary distribution channel.

STM primary publishers have only had electronic content online with these "traditional" aggregators for five-plus years – less than that for many – so although they enter a channel with many known qualities, they are new to the process and often uncertain of its benefits to them.

### **Secondary STM Publishers Have Long, Stable Relationships with Aggregators**

In STM, long-established relationships exist between bibliographic database publishers such as BIOSIS, The Institute for Scientific Information, Cinahl Information Systems, or The American Psychological Association (and hundreds of others), and aggregators such as Dialog, EBSCO, Ovid, or ProQuest (and dozens of others). Acquisitions and competition between aggregators in a mature market are disturbing these relationships more than significant changes in database publisher/aggregator dynamics.

Channel decisions are made by the secondary publishers based on the value that aggregators clearly still bring in a market where many publishers admit that aggregator channels provide more income than their own sites. “We are getting choosy, though,” is a sentiment echoed by several publishers for whom aggregators are the primary channel. “At renewal time we take a hard look at revenues and only renew the most profitable, since there is an expense to us of packaging and distributing the data, as well as to the marketing and training that we do” according to one publisher. This secondary publisher is also watching all the mergers and acquisitions in this space with a wary eye. “We are putting more effort into our platform ... to be sure we can support all customers with a viable platform no matter what happens.”

Publishers with enough muscle in this space do largely own the channel, even if they also use aggregators. Thomson’s Web of Knowledge, CSA’s Illumina, and The Chemical Abstracts Service (CAS) are all the primary distribution channels for their own showcase content. CAS always owned its space, and is also a rare secondary publisher with a longstanding content embargo – although Chemical Abstracts bibliographic data is made available through aggregator sites, the abstracts themselves are offered exclusively by CAS. Thomson acquired the ISI databases and built a powerhouse system around them, and CSA, with more niche content, both built a system and aggregated supplementary content around it to seize control of the channel.

While CSA did pull content off some aggregator sites, Matt Dunie, President of CSA, noted that “as a publisher, we have re-opened a channel where we couldn’t do as much to open up a non-core market, and use other channels for geographic areas which an aggregator can reach more efficiently than we can. We’re open to deals in such cases.”

A willingness to deal is a good summary of the situation for most secondary publishers, who generally do not see their own sites as directly competitive with aggregator sites. As workflow becomes a more important focus, these publishers realize that different platforms work better for different audiences. “It can be difficult to explain internally why a rival platform can get to a market better than we can,” said one publisher, “but aggregators can be better for particular user groups.”

Secondary publishers have tightened up their negotiations with aggregators, and they observe that aggregators’ margins are being squeezed both by publishers and by fierce competition among the aggregators themselves. “Vendors are not getting as much royalty as they were even five years ago” was a statement echoed by several publishers. In fact, in the STM market, new aggregators are appearing on the scene, such as the iGroup, which specializes in opening up specific geographic markets. We expect specialty vertical aggregators of this type to become more prevalent, providing more reach for publishers and more headaches for aggregators already in the market.

All secondary publishers we spoke with work, or plan to work, with the GYM companies to drive traffic to their sites and to capture advertising on their own sites, although there is general wariness and skepticism of, in particular, Google’s intentions in the marketplace. “Dangerous, mean, and unknowing” is how one executive described Google, and another pointed out that “we view them differently because they have no direct sales channel and don’t build services for institutions.” Although Google brings visibility and traffic, there is the worry that it will begin to leverage its position more directly than it has to date, for example by demanding cuts of pay-per-view revenues generated through referrals.

In Outsell's opinion, Microsoft's recent release of Windows Live Academic, with a research-friendly interface that looks more like traditional search products than like a Web search engine, is cause for pause in the secondary publishing market. A focus on deep indexing, good packaging of vertical content, and workflow integration will be increasingly important to sell the value of this content.

The bottom line here is that a few secondary publishers have control of the channel, but all find value in aggregation. Over time there will undoubtedly be more consolidation of secondary publishers, including continued purchasing by aggregators who protect margins through content ownership. The main long-term challenge for secondary publishers is not so much channel management as survival in a full-text era.

### **STM Primary Publishers Driven by Declining Print Revenues**

Primary STM publishing, like secondary publishing, is a mature market marked by mergers and acquisitions, but experience with electronic publishing and working with aggregators for online access is relatively new and is fraught with print-to-online migration issues that are only a dim memory in the bibliographic world.

Compared to secondary publishing, relations between primary content publishers and their aggregators have a shorter history and are more likely to involve wariness on the part of publishers, more perceived competition between publishers and aggregators, and harder negotiations over embargoes and license terms. And yet, these difficult aspects of primary publisher and aggregator relationships have shown significant signs of softening. For example, from 2002 to 2004 users were very concerned about embargoes, but both the concern and the practice have lessened as content has become more widely available.

STM publishing has seen major consolidation of its commercial imprints in the past 10 years. It currently consists of about 20 significant players such as Elsevier, Wolters Kluwer, Holtzbrinck, John Wiley, and Blackwell, and a very long tail of small society and scholarly publishers with only a handful of journal and book titles each. The large players have fairly sophisticated sites and may also distribute content through aggregators, while the very small players have little choice but to work with an aggregator to drive significant growth. In this arena, the aggregator may be another publisher – publishers are lining up to offer publishing services and electronic distribution on behalf of the smaller players. In these cases, the smaller publisher's content can appear both as part of the "silo" of the larger publisher's offerings and also as a more personal, individual Web site.

A third category of publisher is represented by a handful of well-known and prestigious journals such as *The New England Journal of Medicine*, *Nature*, or *Science*, and by societies such as The American Institute of Physics or IEEE and IEE, which can control their own destinies through strong branding and relationships with readers and membership.

In the STM environment, only the strong get to control the channel, and they do so carefully. As one of the small publishers in a well-branded position put it, “on our own Web site we have the deepest possible relationship, which is to the individual – we build more robust service levels than anyone else is building for our content.” This publisher uses aggregators selectively and syndicates content to other publishers, but only secondary content, leaving the flagship journal and its full content exclusive to its own site. As is common in this space, a flagship journal may appear on an aggregator site, but some format of content (such as PDF) or some actual content (such as supplementary data, pre-published content, or analysis) will be exclusive to the publisher site.

When publishers first go electronic it is often by necessity with an aggregator, and that is when they are most likely to discuss embargoes, since their initial focus tends to be on how to stop erosion of print revenues. As publishers gain experience with online distribution, their focus gradually shifts to electronic publishing as a delivery channel with its own characteristics separate from print – and this transition, while crucial, can introduce its own set of blinders. Concern over losing control of branding and relationships to an aggregator appears to be a common issue for many publishers. In Outsell’s opinion, this worry, while understandable, inhibits publishers from properly considering a full range of syndication and distribution options.

The information contained in journals and books serves multiple purposes, many of which require only access – preferably, for research purposes and from the user’s standpoint, in aggregate with other materials and integrated with user-selected workflow tools and platforms. As we often say at Outsell, it’s a both/and world, and the building of brand and relationships – either with users or purchasers – need not preclude strategic management of a variety of channels. Most potential users of content don’t really desire a relationship, and the publisher can concentrate on the minority that do. It is an encouraging sign for this market that publishers are saying they are “cautiously open” to expanding channels.

Many publishers are planning for new technologies, streamlining publication processes to allow for multi-purposing of content, experimenting with virtual journals or interesting bundles of content, and realizing that there are new ways to distribute content and to drive content to their sites. “RSS, podcasts, and videos are becoming important distribution channels to us” said one publishing executive. Paid content distributed through wireless devices such as PDAs is common in this area. All of this reflects good energy for innovation and acceptance of new realities within the space.

Primary publishers are wary of the GYM companies, as are all the other publishers considered in this TrendAlert. They do view the GYM companies differently than the “traditional” aggregators – and with more distrust. Publishers are divided about evenly on whether or not Google is indexing their site, although most are actively considering this, and some participate or are considering participation in Google Scholar. As with the secondary publishers, the fear is about what a Google could do in the future more than a specific complaint about what it does now. For example, one interviewee pointed out that theoretically there is nothing to stop Google from “reverse-engineering” data from various repositories to recreate journals and journal tables-of-contents.

The bottom line for primary STM publishers is that, in aggregate, they have enough experience to have learned that declining print revenues are permanent and won't be replaced by their Web sites, even if they try to protect them with embargoes. If understanding a situation is half the battle, then these publishers are halfway there and now need to clarify for themselves which channels will work best for a wide variety of users and needs.

### **STM Aggregators – Squeezed from All Sides, but Going Strong for Now**

Aggregators in the STM space are still growing, but as would be expected in a mature market, they are beset from all sides and running fast to outpace the increased numbers of competitors. Not only do their publishers have their own sites, but also aggregators that once shared more-or-less comfortable competitive niches now find themselves all squeezing growth from the same diminishing pie, with a race around the globe to capture new markets and to acquire both secondary and primary content. Much of the turmoil that users see is due to aggregators pulling their newly acquired content from other aggregator sites. As an example, EBSCO has just announced that its recently acquired Cinahl and SPORTDiscus databases will be available exclusively on the EBSCO*Host* platform.

STM aggregators have a 20-year head start on creating robust, institution-friendly products and international sales forces with deep experience and direct reach all around the globe – and these advantages have not diminished in value for the moment. Aggregators in the STM space are continually improving their products, experimenting with new pricing models or product bundles, and investing in infrastructure enhancements to support repurposing of content and agile product delivery. Aggregators have also followed the money with new products in vertical, corporate areas – particularly in the pharmaceutical industry – and have seized the initiative to build workflow products.

Aggregators have enjoyed a long and supportive relationship with information professionals, and have leveraged these relationships to good advantage, but increasingly they are spending development dollars on product features that support user workflow.

The bottom line for STM aggregators is that they are experienced enough to survive for the short term, but competition will inevitably consolidate their numbers in the long term, particularly if the aging institutional purchasers are not replaced and next-generation users seize control of the content environment.

### **B2B Trade Publishers Are Betwixt and Between as Some Aggregator Revenues Move from Incidental to Essential**

B2B Trade publishing has many similarities to STM publishing when it comes to the dynamics of how channel decisions are made. It also has some key differences, one of which is that the content audiences are much more varied, with more niche players, so that for every trend we viewed there were clear exceptions.

Although B2B and trade publishers have traditional aggregator relationships that predate the new GYM aggregators, the relationships generally do not go back 30 years as in STM, which means that the aggregators have a shorter track record as a base to build from. Additionally, the publishers in this space do not typically have longstanding relationships within the information professional community.

As one aggregator described his view of this space, “*now* publishers recognize print is not the dominant means to reach future audiences and are building online extensions of brands, but are bumping into each other and creating channel conflict. Publishers react by withdrawing from all but library and school channels.” On the other hand, some aggregators in this space have experienced churn without significant impact on overall business, especially if they have systems, a sales force, and an established presence in corporations that individual publishers would have trouble reproducing alone. One aggregator who fits this description described it this way: “We’re not seeing a rhythm of intensity any different from our experience over time. Some publishers have pulled out, some have changed their minds and we’ve successfully convinced them to stay in. More are coming on board, but not at a rate that’s a quantitative difference from what we’ve always experienced. What is clear, and everybody sees this, is that the publishers are confused by the landscape.”

Publishers may be confused, but in this space they are generally pretty clear on taking control of direct-to-user channels by restricting Web-based content to their own sites, imposing embargoes, and holding back on formats such as podcasts, blogs, audio, and video. And looking ahead, they expect to get better user data and demographics from their aggregators so that they can perform “intelligent licensing” rather than a “short buck” strategy of using aggregators for short-term incremental revenue.

The view expressed by one publisher that “aggregators are increasingly competitive with our direct-to-user and direct-to-partner offers” reflects an increased wariness on the part of publishers in this space when making channel decisions.

Like publishers in STM, B2B Trade publishers approached their initial experiences online through the lens of protecting print. These publishers tend to fit the profile of the smaller, often prestigious publishers from the STM space, and thus have more confidence in their ability to control their online destinies even when their recent experience might not back this up. One aggregator commented that non-U.S. publishers are more likely to impose embargoes, and this would fit with Outsell’s observation that in general the information market abroad tends to lag U.S. trends by a year or two. Embargoes in general seem to become less of an issue as a market matures and the focus moves from protecting print to increasing reach.

Obviously, the importance of embargoes to publishers is also influenced by the type of content at issue – content used for research is not as sensitive to short embargoes as that used for current awareness. Even with news, the exact length of an embargo is germane: although unhappy with the recent 6-hour delay of the *Financial Times* through aggregators such as Dialog, LexisNexis, and Factiva, purchasers have not abandoned these aggregators, because of the value they provide. But the longer the embargo, the more difficult the decision becomes for key content. In Outsell’s opinion, if content is not “must-have” information for a very large market, then embargoes will inhibit the

content's reach more than they protect the publisher's interest. Adding to this, real-time services, once only available through wire services and financial market feeds, are now proliferating on the Web using RSS feeds, wireless delivery, and ping servers, or near-real time with e-mail alerts. As users increasingly expect to be alerted as soon as announcements are made and news occurs, the value of embargoed content will drop.

Another factor in this space is that news publishers that have long used "archival" aggregators, and the B2B Trade publishers that increasingly began using such channels in the past five-plus years, initially considered revenue from aggregators as ancillary or "nice to have" rather than as a core part of the revenue stream. Although this is still the case for some such publishers, for many, licensing has become a line item of revenue and assigned to someone in Business Development, with growth targets. Even in an instance where a publisher claimed no growth in two years from aggregators, the publisher was planning to formalize and increase support for its own internal licensing operation. With this mindset comes a new scrutiny of license terms, and tougher licensing discussions, including, as specifically mentioned by one publisher, guaranteed minimum payments and even pre-paid guaranteed minimums. This is a sure sign of publishers feeling their "options oats."

Many B2B publishers create rich destination sites with RSS feeds, e-mail, personalization, podcasts, blogs, and videocasts. On the other hand, many of these publishers do not have fielded data for backfiles, and from the aggregators' perspective can have relatively unsophisticated sites with minimal functionality for serving enterprises and institutions compared to what the aggregators can offer. This mixture of sophistication with some technologies combined with a lack of attention to broader distribution market requirements is characteristic of a narrowly focused market.

As is common to all publishers, there is interest, but caution, in working with GYM in initiatives such as Google Books or the much-rumored Google Premium, and instant understanding of and enthusiasm for the potential of using GYM to drive traffic through advertisements and site indexing.

The bottom line with B2B Trade publishers is that they are so narrowly focused on driving ad revenues from their own sites and on capturing the direct-to-user channels that they are missing the value of their content within other information spaces and thus failing to manage channels to achieve maximum yield. Successful B2B trade publishers will repurpose content as raw material into products outside of the usual B2B space – such as into STM – and make use of aggregators as a deliberate business choice within a well-thought-out channel strategy.

## **B2B Trade and News Aggregators: Enterprise Channel and Workflow Products Draw Publishers On-Board**

Aggregators such as Factiva, LexisNexis, or Dialog can extend publisher reach into enterprise desktops on a large scale. These enterprise channels not only reach busy professionals who are otherwise hard to reach, such as lawyers and corporate executives, but also can place publisher content directly into corporate-maintained analytic and workflow products, increasing the volume of use and revenue. Penetration into library and school channels not otherwise targeted by B2B publishers is another area of expertise for the aggregators.

The aggregators in this space also deliver innovative technologies and often offer more sophisticated features or forward-looking advertising models to the publishers. As a good example, HighBeam research has a new product, Publisher Direct, that enables publishers that have free content to position it in the HighBeam product in a Google-

like right-hand bar. When the publisher's article comes up, the publisher can buy a placement which allows for its less-relevant, lower-ranked articles to also show up based on paid ad position.

Key differences between the B2B aggregators such as HighBeam, Factiva, and LexisNexis and those in the STM space include the fact that unlike in STM, the aggregators in this space do not perceive themselves as competing with the publishers, but rather feel that the publishers have not yet fully understood the different uses of direct and indirect channels. In Outsell's opinion, this is probably a reflection of the relative inexperience with electronic delivery on the part of the B2B publishers, who will learn over time how to use the channels most effectively, and partly due to the fact that a clear demarcation exists between content owners and aggregators in this space. Unlike in STM, B2B Trade and News aggregators generally do not own primary content, although they may have a parent that does. These aggregators tend to view themselves more as vertical search in this market, and are more interested in adding value to publishers' content through analytics or repurposing content than becoming publishers themselves.

Aggregators in this space also work with the GYM companies, which one executive described as "the unassisted channel," but are sensitive to the potential conflict with publishers for whom user traffic for generating ad revenues is very important. The aggregators in this space, in keeping with their service orientation, do not want to impact upon or compete with that traffic. Some do run ads on their sites, however, including HighBeam and Answers.com.

The bottom line for B2B and News Aggregators is that they need to work hard to educate their publishers about broader market realities and to sell their value to publishers in this space. Publishers in this space are confident of their own brands and their ability to leverage them, which makes things harder for aggregators. But if history is any guide, then, as in STM, publishers in this space will take a broader view over time.

## **Market Research, Reports & Services (IT and Non-IT) – Strong Captive Channels with Experimentation in New Channels**

In the market research sector, the report-oriented firms actively rely on third-party channels, while the players focused on larger syndicated contracts rely on field sales for distribution. Outsell segments the market research sector into Market Research, Reports & Services Non-IT (MRRS Non-IT) and Information Technology Research, Reports & Services (ITRRS). Until the advent of the Internet, most MRRS Non-IT and ITRRS content was sold through publishers' captive channels. The only exception was some of the report-oriented vendors such as Datamonitor, Frost & Sullivan, and Freedonia Group, which provided their content to large aggregators such as Thomson Business

Intelligence (Dialog), Factiva, and LexisNexis. This allowed these report vendors to get their content into the search results of information professionals who would buy information through paid searches.

Today, around 30 resellers and distributors give report publishers the opportunity to distribute content through a variety of aggregation sites and specialized community portals. The largest companies providing aggregation and distribution of market research content include MarketResearch.com and Thomson Business Intelligence. New vertical industry portals are also cropping up, such as the recently launched Pharmaceutical Institute, targeted at pharmaceutical and biotech professionals.

Market research companies have found that the Web works well for low-end price points. Customers in this range are reached with a combination of e-commerce, telesales, distributors, and aggregators. Many of the publishers have their own e-commerce Web sites using either home-grown software or a Web services company such as ECNext, eMeta, Javien, or Endeca.

Publishers are using search engine optimization (SEO) on the GYM sites to drive traffic to their own Web sites. On higher-priced products, they may use GYM-driven traffic to generate leads for an outbound telesales force. At this point, most MRRS Non-IT and ITRRS companies understand the benefit of at least using GYM SEO techniques to drive traffic to their own sites, even if they are not directly selling information via their sites.

We are seeing some market research firms moving into middle market areas and using the Web e-commerce channel more aggressively, strengthening their telesales forces, and using aggregators/distributors for some lower-priced products. Corporate Executive Board (CEB) adapted its current sales model to better leverage technology that allowed it to acquire new middle market members at a reasonable cost. CEB's new HR middle market initiative is sold via telesales (approximately six telesales professionals are focused on this effort) with an average cost of \$7,000-\$10,000 per year per member. Info-Tech Research Group has been selling via the Web since 1998 with a telesales force and is now moving up-market into higher-priced offerings. Current Analysis will announce in the second quarter its Advisory Reports, now for sale on its Web site at \$595. These will be sold through its own Web site, inbound telesales, and through Web resellers such as Marketresearch.com.

At the same time, we see large syndicated market research content vendors like IMS Health, ACNielsen, Forrester, IDC and Gartner, which own unique industry content, continue to control their content through their own channels and sell it via a field sales force even if they use GYM to drive leads to their sites. In fact, IT Research firms including IDC, Forrester, and Gartner have even pulled back from the distribution/aggregation channel after experimenting with alternative channel distribution strategies the last couple of years. IDC is actively acquiring its field sales distributors, so that companies that had been independent sales agents for IDC are now becoming part of its captive channel. IDC is also putting less emphasis on one-off report sales channels and is using inbound calls to generate sales leads for higher-end services.

Forrester has pulled out of the distribution/aggregation channel by taking content off of Northern Light (it still supports clients that get their information through that portal but is not actively selling new content via this channel) and other channel partners because the amount of effort required to maintain the content partnerships was not worth the revenue generated. The only two reseller agreements that Forrester currently has in place are Alacra (a niche provider to the Financial Services sector) and Thomson ONE (where Forrester put an embargo in place only permitting Thomson to resell documents that are more than three months old).

Gartner also has pulled back from the distribution/aggregation channel, but with the unique motive of de-emphasizing centralized buyers in corporations as a target market. Gartner has been focusing on the individual buyers, and removed its content from Thomson Business Intelligence last year. Keen to maintain higher price points, Gartner continues to expand its field sales force, with plans to add 80 to 100 new sales staff in 2006. Outsell notes Gartner is unique in explicitly turning its back on centralized buyers. Forrester continues to maintain library seat pricing for information management professional buyers, and IDC continues to consider centralized buyers an important customer group.

From the user perspective, one interesting aspect to this market is that although buyers may desire more innovations, such as the ability to manipulate the data that is typically provided in a PDF, sellers are reluctant to innovate with analytical tools because of concerns about data misuse. This counters online trends in the other industries surveyed, where providing analytics is a key way to add value to information. Copyright concerns also come into play here; in Outsell's opinion, this is because for this type of content the data is often nearly as valuable as the analysis. The content producer will want to ensure that it's accurately used and also reserve the right to re-purpose it rather than having clients do it themselves.

The market is also unique compared to other information types in that all the content is considered topical, and the market works together to get it out quickly before it becomes "stale" – the notion of embargoes doesn't resonate in this environment.

The bottom line in this market is that most market research companies understand the value GYM provides in being able to drive traffic to their sites as well as the opportunity to sell some lower-priced content via search. Report vendors understand the importance of using the Web to sell content and continue to look for ways to work with GYM, at a minimum to drive leads to their Web sites to buy. The largest syndicated players, especially in IT Research, tested selling content through alternative distribution channels and found that, for the most part, it was either not worth their time or they wanted to shore up their own prices and felt distribution diminished their content's value. Those companies are concerned with using GYM to drive users to their Web sites to increase awareness more than immediate sales. MRRS Non-IT and ITRRS firms market their offerings primarily through a captive field force sales channel, and we expect this to continue given their higher price points and more customized nature.



## Imperatives for Information Managers

Even with all the variations in publisher issues, concerns, content, and experience across the various markets, it is ultimately remarkable how much the bottom line remains consistent – external forces are roiling the publishing industry, and although the timing may differ, all publishers need to face external realities and plan for the long term. The same must be said for IM functions who are carving out new roles and pathways in the enterprise – impelled in no small part by the upheaval in the publishing industry. Outsell recommends the following actions to help guide the way:

### **1. Put Vendor Relationship Management on the Top of Your Priority List**

Getting to a win-win is an art, and part of the creative process is understanding what the “other” is worried about or needs – as well as expressing what’s most important to you. Initiate discussions with your key information providers to give feedback and ideas about what’s working and what’s not – with their particular products and even with the larger industry issues that concern us all. Take care to understand the publishers’ point of view, as well as expressing what may be your own differing perspective. Continuous dialogue and understanding work to minimize surprises and disappointments.

### **2. Ensure an Enterprise Position on Content Acquisition**

The cross-functional, strategic sourcing group as a model for procurement is a good way to ensure an enterprise approach to addressing ongoing changes in information providers’ models, products, pricing, or packaging. If an embargo is invoked, or a source dropped from a particular aggregator, or a steep price hike is announced, the decision to move on, do without, find an alternative, or stay the course can be made as a group decision in the best interest of the enterprise.

### **3. Change Along With the Changing World Around You**

It pays to be flexible and to find new ways of delivering your content. New models ushered in by the likes of GYM are disrupting the publishing world, and information providers and publishers are figuring out how to change and survive. IM functions – as enterprise uber-aggregators – would be wise to do the same within the smaller universe of the enterprise. Consider adopting new ways of delivering content, plan for new kinds of users with different kinds of expectations, and involve them in the creation of new models and services.

### **4. Help Users Become Their Own News Aggregators**

The tools and content are available for users to get to the next level of self-serve – designing their own aggregation models. For those users who wish to do it themselves, IM functions can carve out a role by helping vet sources (both the more traditional and those in the blogosphere) and methods for self-aggregation, and adopting the role of “do with” rather than “do for.”



**Bette Brunelle**  
Vice President and Lead Analyst  
Outsell, Inc.  
bbrunelle@outsellinc.com



**Joanne Lustig**  
Vice President and Lead Analyst  
Outsell, Inc.  
jlustig@outsellinc.com

**Chuck Richard**  
Vice President and Lead Analyst  
Outsell, Inc.  
crichard@outsellinc.com

**Louise Garnett**  
Vice President and Lead Analyst  
Outsell, Inc.  
lgarnett@outsellinc.com

**Ken Doctor**  
Outsell Affiliate Analyst  
kdoctor@outsellinc.com

### Outsell Background

Outsell is the leading research and advisory firm providing actionable market analytics for the information industry. Founded in 1994, Outsell helps publishers, commercial information providers, and content software technology vendors identify, maintain, and grow markets and revenue streams. Outsell also works with information management executives in top corporations, government agencies, and educational institutions to benchmark spending, optimize performance, and demonstrate best practices. Outsell invests heavily in unique information industry data assets that form the core of its high-quality, fact-based research, analysis, and recommendations for clients worldwide.

Outsell, Inc.'s information, analysis, opinion, and reports (the "Information") are based on qualitative and/or quantitative research methods and its staff's extensive professional expertise in the industry. Outsell, Inc. has used its best efforts and judgment in the compilation and presentation of the Information and believes the Information is accurate as of the date furnished, but the industry and the Information are subject to rapid change. Except as aforesaid, Outsell, Inc. makes no other representations or warranties, express or implied, concerning or relating to the Information.

Visit us at our headquarters at 330 Primrose Road,  
Suite 510, Burlingame, CA 94010, phone 650-342-6060,  
fax 650-342-7135, or come by our Web site, <http://www.outsellinc.com/>

InfoAboutInfo<sup>SM</sup> is a service mark of Outsell, Inc.  
Printed in the U.S.A.



OUTSELL

KNOW  
THE  
FLOW