# The Digital Content Market: Rushing Toward Fate

Andy Moore

Andy Moore has often been a well-known presence in the emergence of new technologies, from telecommunications through networking and information management. Most recently, Moore has been pleased to witness first-hand the decade's most significant business and organizational revolution: the drive to leverage knowledge assets (documents, records, information and object repositories) in the support of knowledge workers, researchers and academics.

**By Andy Moore, Editorial Director, Specialty Publishing Group**

Like two freight trains rushing toward one another on the same track, two equally powerful forces are propelling the digital content marketplace speedily toward an abruptly altered state. And, as in the train example, something's going to hit the fan. Big time.

"We expected it," says Allen Paschal, President of Gale Research. "But we didn't expect it to be quite this *accelerated*."

The "it" in this case is the near-total transformation of the information resource industry from paper and bound documents to digital. The speed with which the content industry has turned digital is astonishing, even to the veterans like Paschal and Joe Reynolds, President and CEO of ProQuest Information and Learning, both of whom I spoke with at length for this introductory article. As for those dual forces shaping the new future of the market, we'll get to those in a minute.

This is the first of a series. **The EContent Leadership Series of White Papers** is meant to provide a forum for the thought-leaders and market makers of the digital content industry. The fact that we even refer to it as the "digital" content industry is remarkable in itself, but not half as interesting as the vision and strategies being put into play by content providers at libraries, research institutions and schools all over the world.

The team behind this series of papers has been through this a few times. We've seen a few paradigms shift. Business process reengineering. Automated workflow. Imaging. Content management. Knowledge management. In every example of such disruptive change, there is always a basic need for reason and explanation that an editorial forum such as this provides. The digital content industry, and the great changes taking place within it, is certainly no exception.

Our relationship with the publishers of *EContent Magazine* brought us to this marketplace. But its complexity and richness encouraged us to proceed with this paper.

Whenever there's this much disruptive change, at such a rapid pace, the need for reasoned examination is greater than ever. And in the realm of disruptive changes, this one qualifies as a humdinger.

## Those Two Trains

First is the **economic** factor:

"Many libraries have seen their budgets cut in half," says Reynolds. "Two whole sectors of the market—public libraries and school libraries—are totally dependent upon state and local tax receipts. Their economic situation has forced them to totally re-think their buying plans."

And it's not just the public sector that's feeling the pinch. "Corporate libraries, who have led the way toward electronic, have been equally hard hit," adds Gale's Paschal. "Some corporations that might have had multiple, or even duplicate contracts with certain vendors, are getting pretty picky."

The economic downturn has accelerated the adoption of electronic content and delivery systems in many ways, some obvious and some more subtle. Clearly, simple price is a factor. Reynolds provides the example: "In the last two or three years, academic libraries have spent disproportionately more—between 10% and 15%—annually on electronic services, even if their overall budgets were flat or only up slightly. Journal publishers have flipped their pricing from print-plus-electronic to electronic-plus-print, and print is losing out." Reynolds provides the example: "Last year, I bought a journal for $1.15 and got print and electronic. This year I spent 90 cents and get just the electronic. I saved 25 cents and preserved the content that my patrons, faculty and students require."

But there are far more complicated market pressures than "cheaper is better" at work here. Electronic distribution is far less expensive from the vendor's point of view as well, and sets the stage for future new product lines and revenue streams that will differentiate them competitively. So the encouragement coming from the vendors is in full force.

For example, the general reference database market is so highly commoditized (thanks in part to the inexpensive barriers to entry allowed by electronic distribution) that prices have plummeted. So in response, some publishers are creating exclusive arrangements with distributors (something librarians just hate) for certain highly desirable content. This places content in a different light—on the "value" versus the "price" side of the equation. As libraries are forced to pay more for such content, there are the accompanying pressures to be more selective with their remaining budgets. "It makes their choices more refined," says Reynolds. "They are forced to make fundamental buying decisions that are different than what they would if there were reasonable budgets."

> "The speed with which the content industry has turned digital is astonishing."

One of those buying decisions directly affects the value, or the perception of value, of the content itself, bringing us to that second "train" that's driving the digital content industry: **Consumer demands and expectations**.

"Take the example of company profiles," explains Paschal. "Once it was acceptable (for librarians) to take information from one source, then add what they were missing from another. Those users don't want to do that anymore. They want one reliable source that will deliver it all."

An expensive proposition, and it's making life hard on the content creators. So distributors, such as Gale and ProQuest and others, have taken a personal interest in the quality and comprehensiveness of content. "We've got some 700 editorial people spread around the globe," says Paschal, "so we can create proprietary content that raises the value proposition to the customer." And have thus become a publisher themselves. "It's expensive to do, but there's pricing pressure in the market. So it's a fine line."

That line cuts through these businesses at every level. Gale may, for example, provide its company profiles through a distributor to the corporate market, but take that same content, package it slightly differently and sell it directly to its library and academic customers.

Reynolds at ProQuest echoes the strategy: "If all I was going to be was an aggregated general reference database vendor, I'd exit the business. But since we have a very high penetration rate—we're in probably 100% of the colleges in the world, with some of our products—we want to leverage that and become a publisher of new products that have never existed before."

ProQuest also views technological quality as a competitive differentiator. An old-time electronic player (first to distribute content on CD-ROM 16 years ago, and microfilm before that), Reynolds thinks his company's technology tools, such as indexing, have helped them retain a portion of their high-end academic market out of loyalty to the quality. He'll also quickly admit that competitors in the school and municipal library space have been able to provide "good enough" technology to seize some of that business. So ProQuest counters by creating exclusive content of its own, thus (one could argue) contributing to a rising tide of quality, competitive and valuable content. And that's good news for the end user.

## The Greater Value of the Content Industry

The digital content industry is a classic one of multiple tiers of producers and distributors for whom the customer (librarians) and the actual end consumer (you and me) could have vastly different expectations. But in this case, luckily, they don't. It's pretty clear that digital distribution of content is a pretty good thing all around.

The statistics certainly bear it out. Depending on which study you believe more, somewhere between 78% and 86% of students indicate that they prefer on-line sources for their school research than print. Of course, it's somewhat difficult to determine whether it's the chicken or the egg that contributes to this: if there were not reliable and easily accessed on-line sources available, that number may not be so high.

> "Kids will learn more, their lives will be richer and their generations will benefit. Not a bad gig."

But there are. And it is. And the presence of a world wide web of information, free for the taking, has had plenty of impact on the content-provider industry.

"One of the core issues that we have, and every teacher has, is directing students toward quality information," states Paschal. "We're finding ourselves getting more and more into borderline consumer marketing. Students need to know the difference between the open Web and sources that are reliable, or accredited, if you will."

"For instance, in the state of Texas," continues Paschal, "we have three to four million K-12 kids who have access to our products. They can access this from their home. Once parents know about it, they like it. Another change in the last 16 months is in the amount of teacher training we're doing. One time the big push was to get the infrastructure in place. Well, now it's there, and they have to learn what to do with it."

With everything from "backpack" laws (weight limits on what kids are expected to carry—I kid you not) hitting the legislatures, to the staggering speed of change outdating a print book before it leaves the printer's loading dock, the demand to provide on-line learning materials is inescapable. Providing reputable and enriching information to students at all levels—and to those who teach them—is easily one of the most important activities imaginable.

And textbook materials aren't the only learning tools, as ProQuest will tell you. The capture and presentation of historical content (through their relationships with the world's leading newspapers) and cultural content (Literature Online, a ProQuest product, is the largest digital collection of original poetry and fiction from the 17th century to today).

To add richness, they are filming and archiving, as an exclusive product line, living poets reading their work. From this gumbo of archival, re-packaged and original content, ProQuest expects to recreate itself into a new kind of publisher—an amalgamated aggregator, creator, archivist and content distributor.

## Taking the Next Step; Exploring the Future of Content

Both Gale and ProQuest view the digital content marketplace more than a mere business opportunity (although it is that, too). Through their work, the kids will learn more, their lives will be richer and their generations will benefit. Not a bad gig.

And what's in the future for this series? We've already developed the theme for our next White Paper: "Buying and Deploying Digital Content—Lessons Learned in the Real World." It will be a frank look at the experiences and opportunities for content purchasers—such as libraries, research intuitions, schools and corporate information repositories—and a guidebook for success in the digital content arena.

We'll continue to talk to content providers and explore the various ways your organization—whether it's a library, a corporate knowledge repository, or advanced research institution—can benefit the most from the digital content industry's:

- Methods of distribution;
- Strategies for coping with current economic conditions; and
- Insight into vendor strategies and ways to leverage them to your benefit.

One thing I've learned is that the digital content marketplace is far more complex and interconnected than it at first seems. Please take the time to explore it with us. ❑

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Andy Moore is an editor by profession and temperament, having held senior editorial and publishing positions for more than two decades. Moore most recently was editor-in-chief and co-publisher of *KMWorld* (formerly ImagingWorld) *Magazine* and now acts as a contract editorial consultant and conference designer.

As Editorial Director for the Specialty Publishing Group, Moore acts as chair for the EContent Leadership White Paper Series, overseeing editorial content, conducting market research and writing the opening essays for each of the white papers in the series. He can be reached at andymoore@adelphia.net and welcomes feedback and conversation.