Alan H. Karp

Making Money Selling Content that Others Are Giving Away

Attempts to protect existing business models will only serve to delay, or even prevent, the arrival of new content-delivery approaches.

The owners of digital content are claiming they will go out of business unless legal and technical means are imposed to prevent what they call "rampant piracy." The Napster case provides the most visible example, and one where the effects of the legal system are most apparent. However, the Digital Millennium Copyright Act (DMCA) [1] has far more long-term and widespread impact. More insidious is the pressure large content providers are exerting to coerce equipment manufacturers to build devices that cannot copy digital content.

Copyright owners argue digitization of content has changed the landscape sufficiently and that copyright precedent, particularly the right of first sale and fair use provisions [3, 4], are no longer relevant. Their argument is along the following lines: If I buy a physical book and give it to you, you have a copy and I do not. If I buy an electronic book and give you a copy of the bits, then you have a copy and so do I. It is this ability to make an inexpensive, perfect copy that they claim requires new laws and intrusive technology solutions.

These arguments are not new. Tape recorders were going to destroy the music industry. Doomsayers predicted the end of publishing when photocopy machines first became widely available. Movie studios wanted a ban on video recorders. In each case, attempts to outlaw the technology failed, and, at least in some cases, the content providers are better off than before such laws passed. Today, it is not unusual for a movie studio to make far more money from the distribution on tape and disk than to theaters.

Digital audiotapes came long after VCRs, and content owners prevailed, at least partially. Laws were passed forcing manufacturers to include a mechanism to prevent copying a copy. Restrictions limited DAT tapes and equipment to the extent that this technology never achieved a large market share. We will never know what business models would have arisen had these limits not been imposed.

There is a highly competitive industry that thrives despite the fact it relies entirely on easily copied digital content. Web searches of the three most likely search terms in this area returned 61,000,000 hits; 20,000,000 hits; and 13,000,000 hits. Even so, Huberman [2] reports the top 100 Web sites garner almost all of the traffic. The industry is pornography, and the search terms are "sex," "nude," and "naked." With so much competition, it is only reasonable to assume some of these sites are profitable.

Digital images produce these profits, but these images are just bits in a computer, bits that can be copied as easily as the bits representing the music in an MP3 file. Why is it that the pornography industry can make money selling easily copied content while the music industry believes its only recourse is the courts and legislation?

LISA HANEY

The publishing, movie, and music industries have forgotten that there are two aspects to a profitable business—added value and barriers to entry.

Making Money

The publishing, movie, and music industries have forgotten that there are two aspects to a profitable business—added value and barriers to entry. Adding value gives customers a reason to buy from you instead of directly from your suppliers. Barriers to entry keep competition from driving your profit to zero.

Those calling for revision of the copyright laws were never paid for content; they were paid for copying and distributing the content they own. Widespread access to computers and the Internet has reduced the added value of reproducing and distributing digital content to near zero.

High-quality Web sites provide more value than just the images, and ensuring good performance requires a substantial investment in infrastructure. These factors may explain why adult sites are profitable even though the bits representing their content are available for free elsewhere.

What about the publishing industry? Delivering text requires neither high-quality Web sites nor extensive infrastructure. In this case, publishers must find value to add and barriers to entry. One way to do so is to focus not on the content itself but on metacontent—the set of things that make the material itself more valuable. For example, links to definitions, commentary, cross links within the document, and links to other documents all add value. This metacontent can also be a barrier to entry because of the time and effort to connect to additional content. Properly structured, such links would be useless if someone merely copied the bits representing the document. The actual document without the metacontent would be worth less than with it, and it is this added value people will pay for. Forcing someone who has copied the document to update all its metacontent is a barrier to entry.

Music and video content is more of a problem. What value can be added to an MP3 file containing a song or an MPEG file of a movie? Very little as long as all people want to do is listen to that one song or watch that one movie. It's up to the industry to incorporate metacontent people will be willing to pay for. Interactivity via a Web site is one possibility.

True innovation will come from those creating new industries around old media, much in the way that video rental stores were built around videotapes containing movies. Attempts to protect existing business models will only serve to delay, or even prevent, the arrival of new approaches that will provide more value to the customer and more revenue to the content owners. C

References

1. The Digital Millennium Copyright Act; www.gseis.ucla.edu/iclp/dmca1.htm.
2. Huberman, B. *The Laws of the Web*. MIT Press, Cambridge, MA, 2001
3. Samuelson, P. The copyright grab. *Wired* (Jan. 1996).
4. Samuelson, P. Copyright's fair use doctrine and digital data. *Commun. ACM 37*, 1 (Jan. 1994), 21–27.

Alan Karp (alan.karp@hp.com) is a principal scientist at Hewlett-Packard, Palo Alto, CA.