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Institute of Information Systems
University of Goettingen

Editor: Prof. Dr. M. Schumann

Platz der Goettinger Sieben 5, 37073 Goettingen
Phone: ++49-551/39-4442, Fax: ++49-551/39-9735
Internet: <http://www.wi2.wiso.uni-goettingen.de>
E-Mail: wi2@uni-goettingen.de

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Markus Anding / Thomas Hess

**Content Syndication -
Basic Concept and Case Studies**

Goettingen, 2001

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Content Syndication – Basic Concept and Case Studies

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1 Introduction

The share of transaction costs in the gross national product – an indicator for the importance of information in an economy – currently amounts to about 60 per cent¹, reflecting the growing relevance of information-based business models. With the internet proliferating, sundry new information- and communication-based business models emerge, exploiting the various technical and economical possibilities offered by the new medium. One of these models is content syndication, the trade in content and copyrights.

Content syndication is nothing entirely new – in the 1920s the US motion picture industry had already developed a system for running films up to four times after their first presentation, seeing these re-runs as additional markets². In the information age, the offering of editorial content as well as the demand for content to be published on websites or intranets is growing and content is said to be the key asset in the digital information industry whereas technology is the enabler³. The online content market is estimated to grow rapidly⁴, attracting companies to enter the market as information intermediaries (i.e. content syndicators) and incumbent media conglomerates to offer their content for syndication.

The business model of online content syndication is still in an early stage of development and not yet much elaborated. Content syndication companies are currently rather experimenting. The paper on hand outlines the concept of content syndication and discusses the actual state of the art in practice in Germany on the basis of eight case studies, conducted with content creation- and syndication companies in February and March of 2001.

The concept is analysed in chapter two, first developing a definition for the term content syndication and classifying it within the media value chain, within other syndication concepts and distinguishing offline, online and mobile content syndication. Secondly, the business model is described by discussing the syndication process and its interactors and developing a framework for possible value adding functions as well as relevant business model configurations.

Chapter three presents the questionnaire scheme developed for the case studies and describes the participants' business models according to the acquired information. The research methodology follows an explorative approach in order to understand the business model. Therefore no initiatory hypotheses are drawn up. The findings of the explorative stud-

¹ As stated for the US economy. This number grew within one century from about 25% (in 1870) to 55% (in 1970) and is estimated to be about 60% today. See Wallis/ North (1986), p. 121. also Shapiro (2000), Introduction.

² See Fletcher (1993).

³ See Bruck/Selhofer/Würfl, (1997), p. 19.

⁴ JUPITER COMMUNICATIONS estimates the market to grow from \$126 million in 1998 to \$1.5 billion in 2004 worldwide. See Sinnreich et al. (1999), p. 1.

ies are summarised and build the basis for chapter four, developing an outlook and a set of scenarios which might occur in the future content syndication market and syndicator's business models.

2 Concept of content syndication

This chapter introduces the concept of content syndication. First, the term content syndication is defined (chapter 2.1) and the concept is classified within the value chain, among other syndication concepts and in different media channels (chapter 2.2). The syndication business model is described by analysing the syndication process, value adding functions and relevant business model configurations (chapter 2.3).

2.1 Definitions

Developing an accurate definition of the term "Content Syndication" is a challenging task, since its elements themselves are hardly to be defined indubitably. The following paragraphs summarise different prevailing approaches and derive reasonable definitions for *content* and *syndication*. The term content will be limited to media content, i.e. editorial content produced for economic reasons, whereas meta content, e.g. controlling information created automatically, will be omitted.

2.1.1 Content

Assuming that media content basically is "information" or consists of information elements, the definition of "information" or "information goods" can be a starting point. According to VARIAN, information essentially is everything that can be digitised⁵, which is a very broad definition and doesn't really cover the meaning of content. VARIAN gives examples for information goods, which are "baseball scores, books, databases, magazines, movies, music, stock quotes and web pages". Information goods are defined by BAKOS/BRYNJOLFSSON as "the smallest logical unit of information that does not exhibit technological complementarities, such as a news story, a photograph or a song"⁶. ODLYZKO states, that "content is usually taken to mean professionally prepared material such as books, movies, sports events, or music"⁷. A demarcation between content/ information and the media used to transport that information is missing in these definitions. So is a photograph merely a media to transport visual information as well as a song can be a media to transport a news story. POP-

⁵ See Shapiro/ Varian (1998), p. 3.

⁶ See Bakos/Brynjolfsson (1996).

⁷ Odlyzko (2001), p. 1.

PEL/GOLDSTEIN emphasise the independence of content from media as they state that “content endures far longer than particular media. These come and go.”⁸

It appears that trying to define the word *content* could end up in a philosophical discussion. In the online world, the meaning of content should be seen in the context of its users and their individual valuations for content elements⁹. What is content for one could be just means for another – e.g. internet program code, which is content for software vendors but used by internet sites as means for displaying what they call content. Inseparably tied to the content itself is the right to distribute it – the copyright. Especially in respect of the economic valuation and the business use of content this is very important. The term content is generally used by the media industry to name information offered as a product on the market¹⁰.

Subsuming the aspects discussed so far and developing a reasonable definition for the purpose of analysing the electronic distribution of information, it can be concluded that media content in general is an abstract term for *information and its copyrights*, existing *independently from transport media*, that is – economically or in any other way – *valuable for an audience and offered on a market*.

Strongly interconnected to the definition of *content* and increasingly a subject of discussion is the *content industry*, which comprises all branches involved in the process of creation and distribution of content¹¹. Here, it can be distinguished between companies for which content is the business purpose and companies, whose products support the creation, distribution and the access to content.

2.1.2 Syndication

The term syndication represents a well known way of doing business in the media world. Newspapers, journals, TV- and radio stations for a long time exert the *multiple utilisation* or *re-use* of created stories, movies or songs. With the internet emerging, this process transmits to the online world and also transforms the definition of the term syndication. Originally used for the process of a second, third, fourth and so on distribution of the same content to an audience, in respect of the internet the term syndication addresses (content-) brokerage in general, including the first-time-distribution of created content.

⁸ Poppel/Goldstein (1978), p. 4, cited according to Haldemann (2000), p. 118.

⁹ Bruck/ Selhofer/ Würfl connect content to an identifiable user group. See Bruck/ Selhofer/ Würfl (1997), p. 20.

¹⁰ See Hess (2001), p. 84.

¹¹ See Bruck/ Selhofer/ Würfl (1997).

A very focused definition of syndication is given by MANICKAM, who states that “Syndication is the process where a syndicator (content producer or distributor) delivers content (any digital data) to a subscriber (content aggregator or destination) according to an agreed-upon recurring schedule and the subscriber is said to subscribe to content from the syndicator”¹².

More in general, WERBACH states that syndication involves “the sale of the same good to many customers”¹³, which does not only apply to the field of content. Providing many customers with the same good is feasible in every field where a good is not consumed by a single use. This is the case with information goods – as will be discussed later on – and also with applications, i.e. software programs, and transaction opportunities. According to WERBACH, anything that can exist as information can be syndicated¹⁴.

Syndication does not necessarily involve “selling” goods for cash. As will be discussed later, in practice especially content often is syndicated in exchange for intangible values like website traffic¹⁵ or advertising opportunities.

Eventually, syndication can be defined as *providing many customers with the same good* whereas the syndicator is a (content-)“aggregator and distributor”¹⁶. In this definition, syndication is the process of *distributing* the goods of a producer to many business customers, independently from the processes of *producing* and *publishing* the good. Publishing in this definition addresses the delivery to consumers.

Consequently, Content Syndication is the *aggregation and distribution of information goods or copyrights to business customers for economic purposes*¹⁷.

2.2 Classification of content syndication

The business model of content syndication shall be classified in respect of the media value chain and the levels of this chain which a content syndicator may cover. Additionally content syndication will be discussed in contrast to other syndication concepts like application syndication and transaction syndication.

¹² See Manickam (2000).

¹³ See Werbach (2000), p. 86.

¹⁴ See Werbach (2000), p. 87.

¹⁵ Generating website traffic for content originators is problematic since it creates a target conflict between content originators and publishers trying to tie customers on their own website.

¹⁶ See Souzis et al. (2000).

¹⁷ See Hess (2001).

2.2.1 Syndication in the media value chain

According to the generic value chain, which consists of investment, production, sales, billing and consumption¹⁸, Figure 2.2.1/1 shows value adding levels which can be identified for the media business¹⁹:

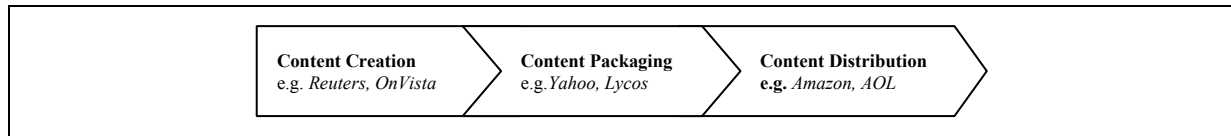


Figure 2.2.1/1: Media Value Chain

In a distribution- and institutionalised point of view, the value chain can be depicted in a slightly modified way, focusing on the levels content passes from creation to consumption. Figure 2.2.1/2 depicts this distribution chain according to fundamental levels defined by SINNREICH ET AL.²⁰.

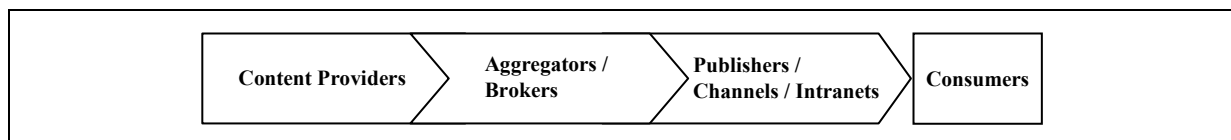


Figure 2.2.1/2: Content Distribution Chain

Content syndication takes place on the level of aggregators/brokers, providing a B2B-connection between content providers, i.e. content originators, and the publishers which deliver content directly to content consumers – either on B2C-platforms in the internet or to corporate intranet users. The particular interactors in this chain will be discussed later on in this paper.

A distinction is to be made between two basic forms of content syndication. As shown in Figure 2.2.1/3, content can either be moved/sold directly from content producers to content publishers or it can first be moved to an aggregator (content syndicator) who then delivers to publishers.

¹⁸ See Zerdick et al. (2000), p. 132.

¹⁹ See Hacker (1999), p. 163.

²⁰ See Sinnreich et al. (1999), p. 3.

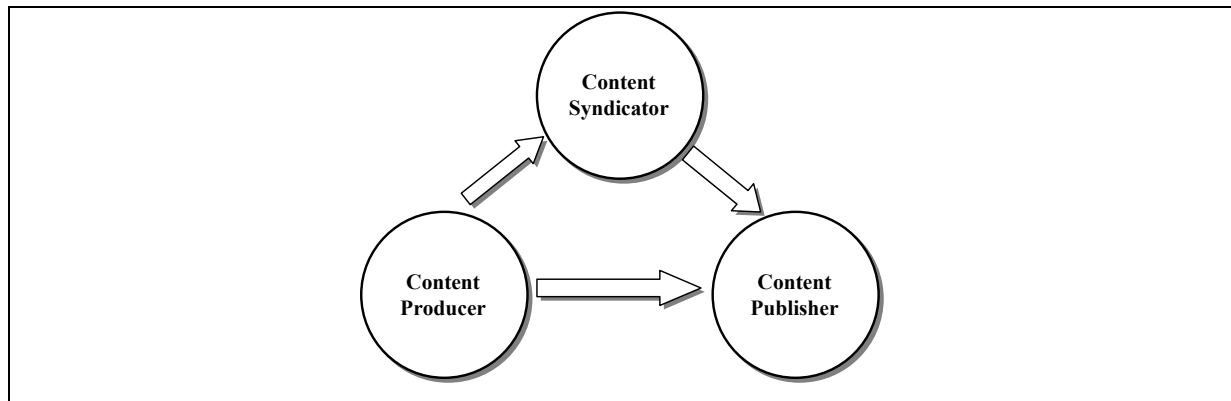


Figure 2.2.1/3: Basic forms of content delivery

2.2.2 Content syndication in contrast to other syndication concepts

Besides the syndication of content, other syndication concepts have already emerged in practice or are discussed theoretically.

Application Syndication

Seen as an advancement of content syndication, application syndication is the distribution of functions and services from an owner of a software application to many users. An example is the Google search engine, which provides internet portals like Yahoo! with search functions²¹. In contrast to content syndication, application syndication rather deals with a service than with a product, whereas content is rather a product which is produced, stored and sold. Application syndication comprises not only the program logic and necessary data, which transforms user input (e.g. a term to search for) into application output (e.g. a search result), it also has to deliver the execution of the application, which, remembering the search engine, may require substantial performance of computer systems. This is less the case with content syndication, where the only “application” function is the delivery of subscribed content.

Since application syndication is rather a service than a product, the question arises, who, i.e. which of the value chain elements, runs the service and if a dedicated syndicator is necessary or even viable at all. The application creator, i.e. a software producer, may sell its product to a syndicator (or application service provider, ASP), who runs the application and syndicates access or application requests to customers. If the syndicator cannot add value to the application, the application syndication service may best be delivered by the application producer itself, making the dedicated syndicator redundant.

²¹ See www.google.com, www.yahoo.com.

The basic advantage of application syndication results from the fact that companies can focus on their core competencies instead of developing proprietary software on their own²² or running applications on their own computer systems.

Transaction Syndication

Transaction syndication is an extension of application syndication, distributing not only software application services, but whole business transactions like the online-sale of goods. In fact, whole business models can be syndicated this way²³, allowing others to use the business services implemented by the transaction syndicator. For instance Amazon syndicates its online sale transaction service to business customers who put a window on their website allowing customers to directly buy books from Amazon.

In transaction syndication, it seems not reasonable to put an intermediary between the producer of a transaction (Amazon) and its syndicator (Amazon again), who sells the transaction to a publisher (the website offering the service to customers). So the producer of a transaction is its syndicator at the same time.

Another difference to content- and application syndication is that in this model, rather the publisher of the transaction is paid by the syndicator for attracting customers and delivering revenues. Typically publishers are paid a percentage of the turnover generated.

2.2.3 Content syndication in different media

Media basically can be categorised by *end devices* and *transport media*²⁴. End devices are either *stationary* or *mobile*, the transport takes place through *offline-* or *online media*.

Content principally can be syndicated across all these distribution channels²⁵. However there exist ample differences in content delivery, content representation and interactivity which justify a specific syndication-driven classification, focusing rather on economic than on technical differences among different media.

In respect of the possibilities for delivering content of different type and format and considering the economic utilisation of content distributed by different media, media for content syndication shall be classified into *online-*, *offline-* and *mobile media*.

²² See Werbach (1999).

²³ Also discussed as Business Process Outsourcing, see Hattwig (2001), p. 18.

²⁴ See Rawolle/ Hess (2000), p. 90.

²⁵ Known as Cross Media Publishing (here: Cross Media Syndication). See Bruck/ Selhofer/ Würfl (1997), p. 28.

Offline

Syndication is well known in the offline world and has been subject of discussion for a long time²⁶. Primarily audio and video programs are syndicated by running them a second, third, fourth, and so on time. Offline media comprise television, radio, newspapers, CDs and other media which can be used on a stand alone device without permanent connection to a service provider²⁷.

Offline syndication is based on a “one to many” principle, which makes the valuation of content difficult because a direct feedback from recipients is missing.

The value of movies, for instance, can be assessed considering their success in the first run (cinema) or the reputation of the director.

Online

Online media in contrast to offline media require a permanent connection between user and service provider for the time of consumption, whereas cable-, terrestrial- or satellite-based connections are used for transmission of content²⁸.

Basic differences between offline and online media arise from the extent to which interactivity is possible and from the fact, that offline content usually is distributed at discrete times (e.g. a movie on TV) whereas online content is permanently available for consumption (e.g. online newspaper archives). The interactivity allows a “many to many” communication and offers various ways for distributing personalised content.

While valuing movie packages can take considerable time and manpower²⁹, valuing online content (which normally is content with shorter duration than movies) has to be performed faster or even not at all (“blind bidding”).

Mobile

Mobile media offer even more possibilities for individualised many-to-many communication because the user can request content independently from a fixed location and according to the place where he needs specific content (e.g. the city map of an unknown city displayed on a mobile phone). This offers new ways for content providers to utilise location-related content.

²⁶ See Fletcher (1993), p. 283.

²⁷ Here, television and radio are regarded as offline media since they don't exhibit a function constituting for online-media – the interactivity of the user with the service provider.

²⁸ See Schumann/ Hess (2000), pp. 102.

²⁹ See Fletcher (1993), p. 291.

At present, the most evolving market is the market for online content syndication, whereas offline syndication already tends to mature and mobile syndication is yet to come into existence due to missing powerful end devices and transport media.

2.3 The syndication business model

For the analysis of a business model, the following general complexes have to be taken into consideration³⁰:

- What is being sold to whom and how?
- Which input goods have to be acquired from whom?
- How is the production process to be organised?

The first two complexes will be analysed for the content syndication business model by taking a close look at the syndication process and its interactors. The production process of a content syndicator consists of the transformation of content³¹ and the adding of value. It will be discussed separately.

2.3.1 The syndication process and its interactors

According to the content distribution chain (see chapter 2.2), content syndication takes an intermediary position between content creation and content publishing. Figure 2.3.1/1 depicts this process and the relevant interactors which are *Originators*, *Aggregator/Broker*, *Publishers/Channels*, *Advertisers* and *Consumers*.

³⁰ See Hess/Böning-Spohr, (2000) p. 9. More in detail, WIRTZ defines a set of partial models (market model, procurement model, production model, offering model, distribution model and capital model) which is covered implicitly with the given definition. See Wirtz (2000b), pp. 44.

³¹ In technical (e.g. transformation of data formats) and economical (e.g. the bundling of content) terms.

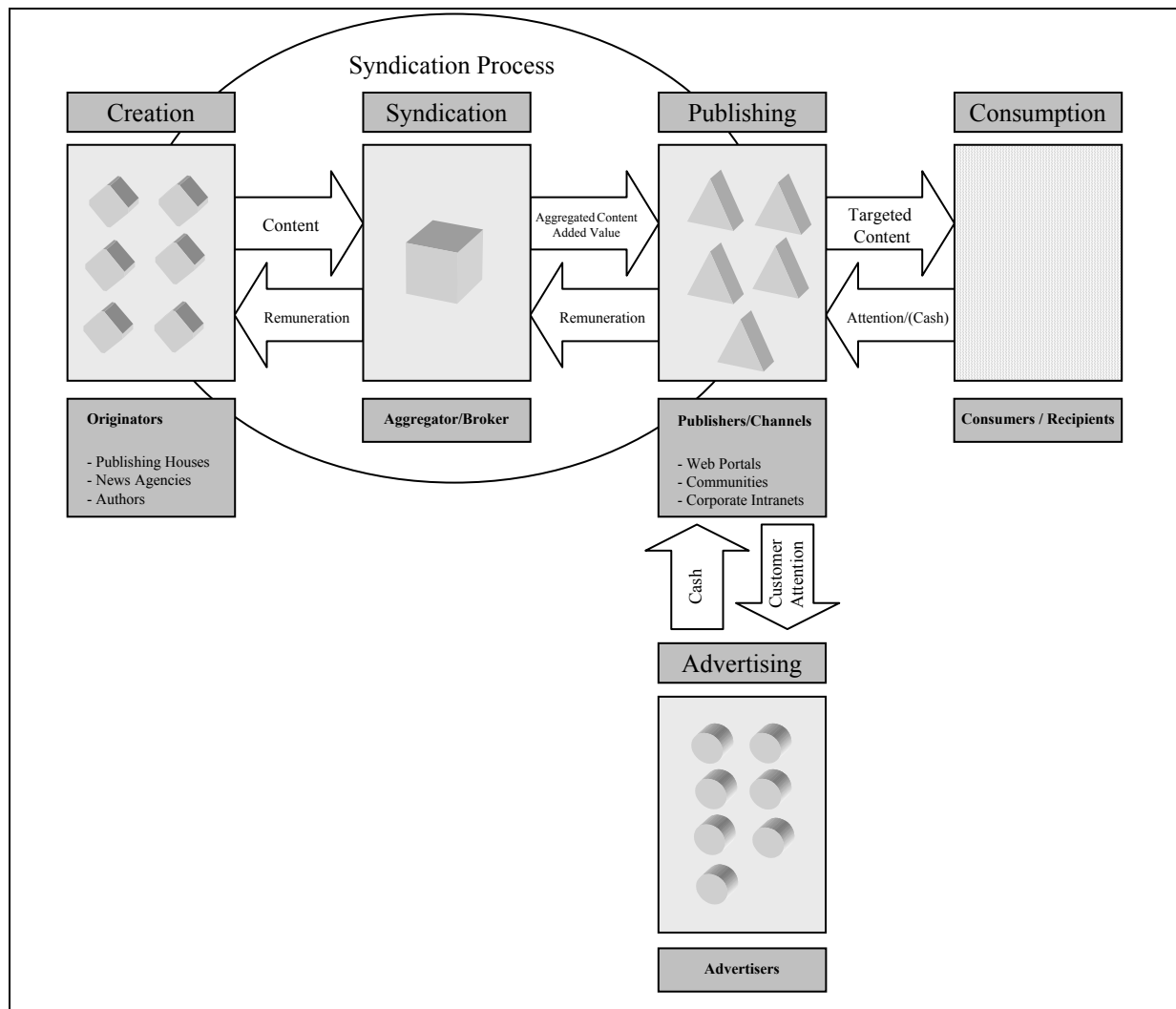


Figure 2.3.1/1: The syndication process and its interactors

Three parties are involved in the primary syndication process, which are *originators*, *syndicators* and *publishers* of content. In practice, the terminology used³² is not entirely agreed upon. However, it is intuitive and provides a clear demarcation of syndication roles. Further on, *consumers*, i.e. recipients of content, and *advertising companies* are relevant to the process. They are the actors on the double market which publishers are faced with³³, thereby forcing publishers to put content on their websites, which amplifies the need for content and initiates the syndication process. Additionally, consumers and advertising companies provide the basic valuables in exchange for content – cash and consumer attention.

In the following, the different interactors and functions of the syndication process will be discussed, focussing on the questions *who might occupy this function* and *which incentives exist to do so*. Generally, companies can shift between the roles and cover several roles simul-

³² The terminology is adopted from Werbach (2000), p. 87.

³³ For the double market see Schumann/Hess (2000), p. 20.

taneously³⁴, which will not be considered in the first place. Later, chapter 2.3.3 will discuss different business model configurations derived from combinations of the genuine roles.

Originators

Main categories of content producers are *publishing houses*, *news agencies*, *editorial offices* and *free editors*. Considering audio- and video content, *movie-* and *music production studios* are to be mentioned as well and taking the step towards interactive content, even *application providers* are relevant³⁵.

Incentives

Weighing cost against utility, it appears that content originators seem to have various incentives for taking part in content syndication.

Additional costs emerge for setting up contracts with content syndicators and delivering content which either already exists for other purposes or which was created specifically for syndication. Additionally, content has to be transformed into formats demanded by content publishers. Since the costs for electronic distribution are close to zero and the transformation of content formats for reselling predominantly is done by the syndicator, the only cost factor for originators is the procedure of establishing and updating the syndication contract.

Utilities for originators arise on the one hand from additional sales revenues, on the other hand from rather intangible values like a broader reach for its brand (if content is branded) or the increase of traffic on the originators own websites – in case content is distributed with links back to the originator. In this point of view, even savings in marketing expenses are possible³⁶.

Syndicators

The content syndicator occupies the role of a merchant trader, moving content from producers and owners to publishers and consumers³⁷. Matching³⁸ the two and providing content related added value creates the syndicator's revenue. The syndicator thereby extends the role of a pure broker or market maker by often making ample efforts in adding value to this basic role³⁹. The syndication function can be taken by originators, stand-alone companies or

³⁴ See Werbach (1999), p. 87, also Schumann/Hess (2000) p. 10.

³⁵ Consequently, the connection between content- and application syndication becomes obvious.

³⁶ In the field of transaction syndication, Amazon gives an example for a virtual sales forces, created through allowing affiliate customers to put Amazon shopping windows on their own sites.

³⁷ See Fletcher (1993), p. 288.

³⁸ Pure matching is a form of trade intermediation – in contrast do wholesale- and retail trade where the trader buys and sells goods. See Mueller-Hagedorn (1998), pp. 31.

³⁹ Various ways of adding value will be discussed in chapter 2.3.2.

even publishers. Here, it will be focused on the basic function itself without considering who takes it.

Incentives

The incentive for pure syndication must be based on gaining financial profits from trading in content⁴⁰. Thus, general incentives for acting as a trader or intermediary could be examined and transmitted to a content syndicator. Traders basically are either paid a provision for acting as a market maker (or matchmaker) to establish a direct connection between buyer/consumer and producer⁴¹ or they sell goods to customers at higher prices than they were bought from producers. Typical B2C-matchmaking services like eBay earn a significant share of the sale price. eBay gets between 7% and 18%⁴².

Traders take advantage of market frictions and build core competencies in marketing and demand aggregation or specialise in certain products. Therefore, incentives for trading depend on the magnitude of market frictions. In the field of online content syndication, these frictions – due to high transparency and local independence of the internet market – are much weaker than in the real world (if existent at all). Additionally, very low entry barriers⁴³ threaten pure syndicators and limit their opportunities for making profits⁴⁴. Consequently, with a growing number of syndicators and revenues vanishing due to price wars because content is a heterogeneous good (when leaving brand names unregarded), the market will collapse. Syndicators have to add significant value to differentiate from competitors.

Actually, the content syndication market is developing and the market volume is growing, making it easy for new entrants to gain a market share – in short term view. In the long term, there seem not to be large incentives for pure syndication if no additional value is generated by which a syndicator can differentiate himself.

Cost and utility of the syndication function can be expressed entirely in monetary terms, based on traditional accounting where various cost sources (technology, work force, etc.) and provision revenues are involved.

⁴⁰ Other business model configurations than pure syndication might have other and also intangible incentives because they earn profits in other fields.

⁴¹ So do – for instance – maklers in the real estate business.

⁴² See Anonymous (2001a) p. 80.

⁴³ The technology used for syndication is the most important part, but so far it is not yet highly sophisticated, so that a simple technology is sufficient to enter the market.

⁴⁴ In fact, this may lead to a „prisoner's dilemma“ situation for all the participants in pure syndication.

Publishers

Content publishers basically address consumers which show affinity or interest in the published content. The purpose is either to transmit this interest to the main products and services offered by the publisher (e.g. B2C/B2B-E-Commerce offers), to stick consumers to the website⁴⁵ and sell their attention to advertisers or to provide employees with information through intranets. Thus, internet portals, communities⁴⁶, e-commerce websites and corporate intranets are the main categories of content publishers relevant for the syndication business.

Incentives

Content for the mentioned categories of publishers is primarily the means but not the purpose of their business. Equivalently to make-or-buy decisions, publishers may consider the employment of a team of editors to create content themselves or to acquire content externally – either directly from content originators or from syndicators – which might be the better choice for a set of reasons. Genuine content originators have *core competencies* in creating content (which publishers basically don't have), can offer content at *lower cost* since they syndicate and spread costs among many customers and they often possess a *brand name*, valorising the content for consumers. Consequently, it seems valuable to acquire content externally and – in doing so – to prefer one syndication partner against the direct contact to many different originators when transaction costs matter. Syndicators which are offering “One-Stop-Shops” follow this approach.

In contrast to the importance of transaction costs, direct contact to originators is preferred when content has to be of certain quality – as for instance for GesundheitScout24, where 31 professionals check medical content before it is published⁴⁷.

Finally, with *competence*, *costs* and *branding* of content there exist various incentives for content publishers to take part in the syndication process.

Additional costs of taking part in content syndication occur for establishing relationships with content providers (originators or syndicators) – which usually are one-time projects – and for acquiring (i.e. licensing and physical delivery) and integrating the content on a continuous basis. Intangible costs – or rather “bads” – of content syndication may emerge from depending on the reliability⁴⁸ and technical availability of a single (or a set of) content provider(s).

Utility can result from website visitors who are attracted by higher content quality – or content offerings at all. Thus, visitors come more frequently and increase revenues from e-commerce

⁴⁵ This is expressed by the term „lock in“, see Shapiro/ Varian (1998), pp. 103.

⁴⁶ Communities of interest integrate content, communications and commerce. See Anonymous (1996) p. 6.

⁴⁷ See www.gesundheitscout24.de.

⁴⁸ In the sense of correctness and actuality of the delivered content.

and advertising. Additionally – and more evidently – content syndication can result in cost savings in comparison to the self-creation of content.

Consumers

It doesn't seem reasonable to identify consumer groups which are relevant for content syndication. Basically every user of internet portals, communities, e-commerce sites and intranets comes into consideration.

Incentives

Although consumers of content are not directly involved in the syndication process, they might have incentives to prefer publishers who offer syndicated content. This might be caused by extended content offerings and a higher content quality as well as known brand names. This defines the utility of content syndication for consumers. Costs in relation to syndication can hardly be identified. Consumers "pay" publishers with attention⁴⁹, which – in further analysis – is increasing due to better content offerings, consequently making the consumer "pay" more⁵⁰.

Advertising companies

Advertising is relevant for the syndication process since it often generates a significant part of a publishers revenue besides e-commerce- or other revenue sources. Relevant are basically all companies which exhibit advertising activities on the internet.

Incentives

Like content consumers, advertisers are not directly involved in the syndication process⁵¹. They might have incentives to advertise with publishers who put syndicated content on their websites, because – as explained for consumers – this attracts more consumers and generates interest for banner ads. Additionally, publishers who are offering content targeted to consumer groups provide target advertising opportunities which are of high value for advertisers. Thus, advertisers might have at least a slight incentive to advertise with publishers of syndicated content, who in turn raise the prices for advertising and generate higher costs for advertisers. This has to be weighed against the additional utility of higher advertising efficiency.

In conclusion, Table 2.3.1/1 summarises the additional costs, utilities and overall incentives of the syndication process interactors.

⁴⁹ See Dietl/ Franck (2000).

⁵⁰ An analysis of internet connection fees shall be omitted.

⁵¹ Here it should be disregarded, that advertisers might deliver „advertising content“ to syndicators which is syndicated to publishers – a model where the content provider (the advertiser) will have to pay.

Interactor	Additional Costs	Additional Utility	Overall incentive
Originator	- Establishing of relationships with syndicators - cannibalisation and lower exclusiveness	- additional income source - brand propagation	(++)
Syndicator	development costs of service infrastructure	provision fees for content sold	(+)
Publisher	more costs for acquired content	more advertising and e-commerce revenues	(++)
Consumer	- more online time - more attention paid	higher content quality	(+)
Advertiser	higher advertising costs	higher advertising efficiency	(+)

Table 2.3.1/1: Incentives for taking part in content syndication

It can be stated, that – from the given theoretical point of view – all interactors have at least a slight incentive to take part in content syndication. The next chapter analyses various ways of adding value to the pure syndication function, which could be means to increase the described incentives. Then, these theoretical findings are to be verified by empirical research.

2.3.2 Value added in the syndicator's production process

New markets or services have to offer a value added to customers in order to become profitable⁵². In the digital services industry, value added by content creation and processing is said to be about 50% of the entire value chain including transport and user equipment⁵³.

Core competencies of syndicators lie in the aggregation, packaging and re-packaging of content⁵⁴. In the following, some areas will be discussed where additional value can be created along this pure syndication process. Since content syndication can be analysed in the view-point of trade and publishing (as it is basically a trade business and might also cover traditional functions of publishing houses), basic trade⁵⁵ and publishing⁵⁶ functions apply as areas for adding value. Fields, which can directly be derived from the syndication process are *content aggregation and repackaging*, *demand adaptation (i.e. risk taking)*, *market clearing (i.e. matchmaking and marketing)* and *editing of content*. Beyond these trade-related added values, additional service- (and even production-) related fields can be identified. As stated be-

⁵² See Bruck/ Selhofer/ Würfl (1997), p. 18.

⁵³ See Bruck/ Selhofer/ Würfl (1997), p. 10.

⁵⁴ BAILEY/ BAKOS name aggregation, one-stop shopping, trust provision and filtering as specific intermediation needs which coincide with the competencies mentioned. See Bailey/ Bakos (1997).

⁵⁵ Traditional trade functions are the regrouping and editing of goods, demand adaptation and market clearing. See Müller-Hagedorn (1998), pp. 108.

⁵⁶ Functions of publishing houses are target-group oriented content selection, marketing and risk taking. See Hess/ Tzouvaras (2001).

fore, the *technological support* is crucial for the whole syndication process, thus, developing technological standards and syndication applications can add significant value. Furthermore, content syndicators can use their market knowledge and experience for content consulting services for the other parties involved in the process (primarily content originators and publishers). Figure 2.3.2/1 shows basic and possible additional value adding functions.

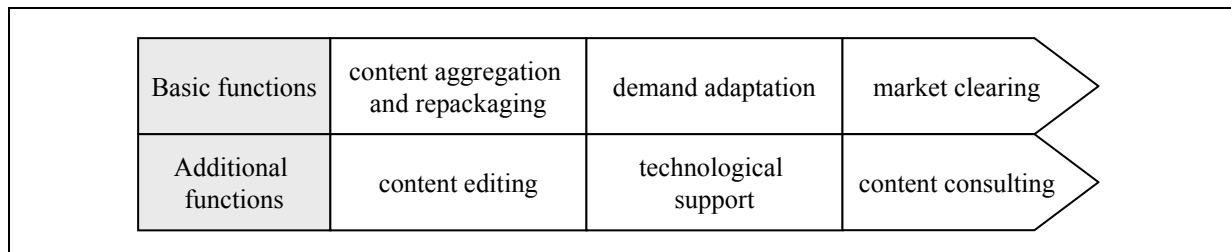


Figure 2.3.2/1: Basic and additional value adding functions

Content Aggregation and repackaging

The aggregation and repackaging of content is a primary function of content syndicators⁵⁷. An example is given by iSyndicate, who buys the whole sports section of A.P. (Associated Press) and sells only golf news to the online golf magazine FringeGolf.com⁵⁸. By buying, unbundling, classifying and repackaging content from various sources according to special customer demands, a syndicator generates value for both the originator (who doesn't have to build individual packages for individual customer groups) and the publisher (who doesn't have to acquire and combine content from various providers).

Demand Adaptation

Demand adaptation splits into bridging- (adaptation of space and time) and security functions (risk taking for buyers and suppliers)⁵⁹. Syndicators can bridge the virtual "space" of content provision by offering a virtual content store (which customers can shop in, instead of contacting various content originators) and by delivering content to whichever website or server their customers demand. The time of content delivery is bridged by syndicators who can store and archive content (in accordance with copy- and usage rights) to be delivered on customer demand⁶⁰, independently from the originator. The risk taking function is strongly interconnected with the way, the content delivery is settled. Independently from pay per view or flat fee billing methods, content originators can either participate in every single content delivery to a publisher or sell the content once to the syndicator who then collects all revenues on his own account. Figure 2.3.2/2 clarifies this distinction.

⁵⁷ See Olsen/ Livingston (2000).

⁵⁸ See Tedeschi (2000).

⁵⁹ See Barth (1996), p. 31.

⁶⁰ In contrast to many physical goods (e.g. food), content is not subject to depletion caused by storage and deterioration.

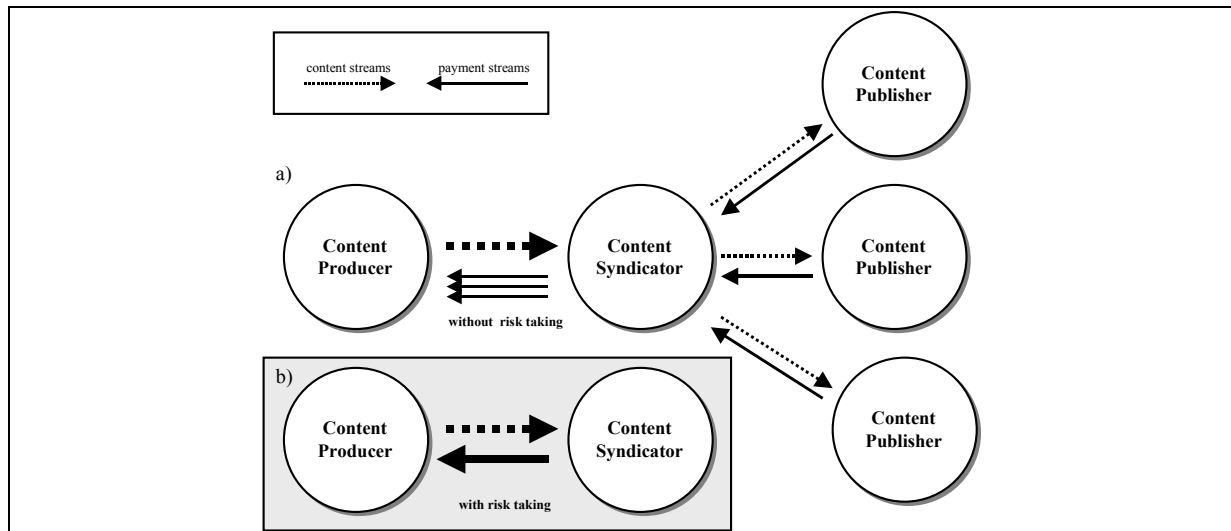


Figure 2.3.2/2: A possible risk taking function of a content syndicator⁶¹

Market Clearing

The exploration of the market and the generation of turnover are functions of market clearing⁶². Syndicators can investigate/ influence the market and acquire/ process turnover. Covering these functions, content syndicators gain significant experience and knowledge about the content market and especially market prices. This knowledge is particularly valuable for content originators and publishers.

Editing of Content

In extension of the basic trade functions discussed so far, syndicators might offer the editing of content as an additional service related function. This can either comprise the entire creation of content on customer demand (for which the syndicator can either employ own editorial staff or mandate an editorial office), or the editing of existing content according to customers needs (as far as the originator grants corresponding rights). In contrast to the multiple distribution of identical content elements, which is inherent to the syndication concept, this value adding function moves towards content individualisation and primarily provides added value for the content publisher.

Technological Support

Content syndication to a large degree is depending on a technical platform, which basically consists of software applications (i.e. content management systems) and standardised data- and document formats. By developing and implementing applications and standards, syndi-

⁶¹ This figure neglects different forms of content delivery and other remuneration models and focuses solely on the configuration of payment streams.

⁶² For the following, see Barth (1996), p. 31.

cators can generate significant value added for both originators and publishers, who don't have to deal with technical issues and can concentrate on their core competencies.

Content Consulting

Since content syndicators gain vast experience and knowledge about the content market, the consultation of content originators and publishers is another possible way to add value to the syndication process. Content originators basically are interested in which content is requested on the market and which prices they could possibly charge. Content publishers need information on which content addresses their target groups best and how much they should spend on that content.

2.3.3 Relevant business model configurations

Different content syndication business models can be created as combinations of different syndication roles and value adding functions. The following Figure 2.3.3/1 shows possible configurations according to roles in the syndication process.

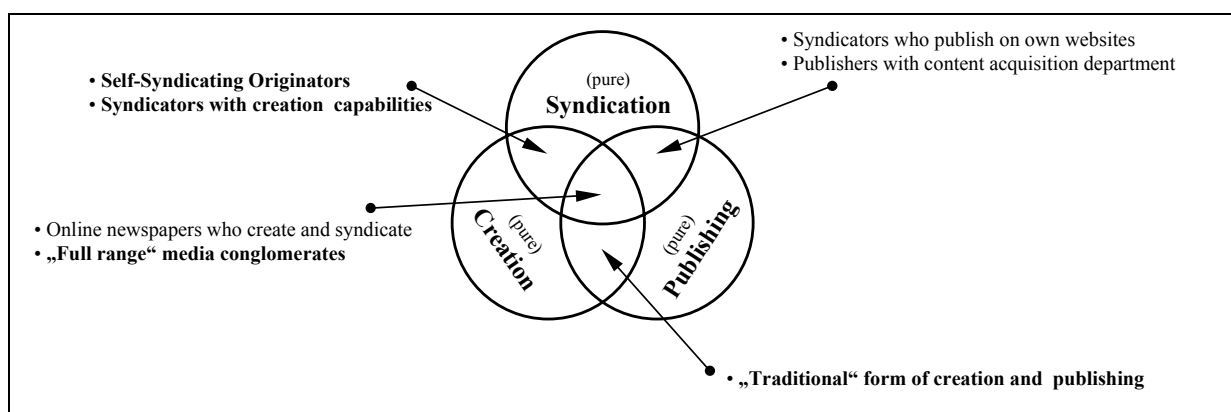


Figure 2.3.3/1: Business model configurations⁶³

Besides covering the “pure” creation-, syndication- and publishing functions, companies can shift between the roles and even take different roles simultaneously. Most reasonable (and most common) combinations are marked bold in Figure 2.3.3/1. Since it is possible to cover not the entire syndication role but only the acquisition- or distribution function, it shall be distinguished between *acquisition* of content from various providers and the *distribution* of content to various customers as sub-syndication functions.

Self-syndicating originators

Pure content originators can employ syndication as an add-on business, either syndicating solely own content to a variety of publishers or combining own content with additional content from other originators.

Syndicators with creation capabilities

“Pure“ content syndicators can run own editorial departments and cover content creation and editing as an add-on business, either providing content “on demand” for certain customers, covering certain topics of the content offering with own core competencies or editing acquired content. Examples for content syndicators who also create and edit content are contentmap (www.contentmap.de) and BEECOM. (www.beecom.de).

Online newspapers who create and syndicate

Online newspapers who create content with own editorial staff and publish it on own websites can use syndication as a way to either re-use own content (distribution function of content syndication) or to acquire additional content for own websites (acquisition function of content syndication).

Full range media conglomerates

Extending the syndicating online newspaper described above (which is a single business entity) to a large scale of many originating, syndicating and publishing business entities as a whole, a media conglomerate emerges, covering all roles in the syndication process. A typical example is the Bertelsmann/ iSyndicate Europe conglomerate with various creating and publishing profit centres which employ iSyndicate Europe as a mutual syndicator.

“Traditional” form of creation and publishing

Basically, this is the way online newspapers or journals work, who create and publish their own content and don’t participate in content syndication.

Syndicators who publish on own websites

Syndicators might find it reasonable to make use of their voluminous content base by publishing it on own websites or portals, thus, becoming publishers themselves and generating revenues through advertising or e-commerce.

Publishers with content acquisition department

Publishers with demand for large amounts and wide varieties of content could employ the acquisition function of the syndication role to acquire content from various creators. Many

⁶³ Bold terms address the most reasonable combinations / configurations.

large publishers like T-Online⁶⁴ or Yahoo, Lycos, Excite, etc.⁶⁵ already (or still) do so, making no use of dedicated syndicators.

Besides these combinations of the three basic syndication roles, relevant business models can comprise a selection of the value adding functions described in 2.3.2. The practical verification of this theoretical model is one of the purposes of the following case study.

⁶⁴ T-Online has entered an agreement with the ZDF telestation who delivers news content for the T-Online internet-portal. See Warlimont (2001).

⁶⁵ See Anonymous (2000a).

3 Case Studies

This chapter presents eight case studies, describing the practical implementation of the content syndication business model depicted above. The underlying research methodology is an explorative one; no hypotheses shall be drawn up and tested. After describing the survey scheme (chapter 3.1), the cases are discussed (chapter 3.2) the findings are summarised and a conclusion is drawn (chapter 3.3).

3.1 Survey scheme

The eight companies analysed in this survey were chosen from the variety of existing syndication companies in order to include as many as possible of the different syndication functions and aspects.

A questionnaire was designed, covering the following four basic aspects:

- Company facts (size, employees, growth, etc.)
- Business model details (content types, business partners, billing model, etc.)
- Technical overview (data formats, delivery methods, etc.)
- Problems/ perspectives (business model issues, market anticipation, etc.)

To analyse the practical relevance of the issues discussed in the first part of the paper, the focus was set on business model details, covering more than 50% of the whole questionnaire.

3.1.1 Company facts

The first part of the survey was aimed at general company information. Primarily the *time since market entry*, the *size* (employees, turnover, profitability⁶⁶) and the *owner structure* (independent or subsidiary of a media conglomerate) of the content syndicator were of interest. Also the planned *development and growth*, especially towards a possible IPO (initial public offering), and the planned break even were asked.

⁶⁶ For anonymity reasons, turnover and profitability are only presented in a summary and not for each company in this survey.

3.1.2 Business model details

The emphasis of the survey was put on business model details. According to the elements of a business model (see chapter 2.3) and especially focusing on the partial business models defined by WIRTZ⁶⁷, the areas

- Product (content-) parameters
- Business partners
- Revenue/ billing model
- Contract design/ copyright handling
- Pricing
- Added value

were discussed.

Product (content-) parameters

Which types of content are syndicated?

A classification of possible content types which syndicators might deal with is given in Figure 3.1.2/1.

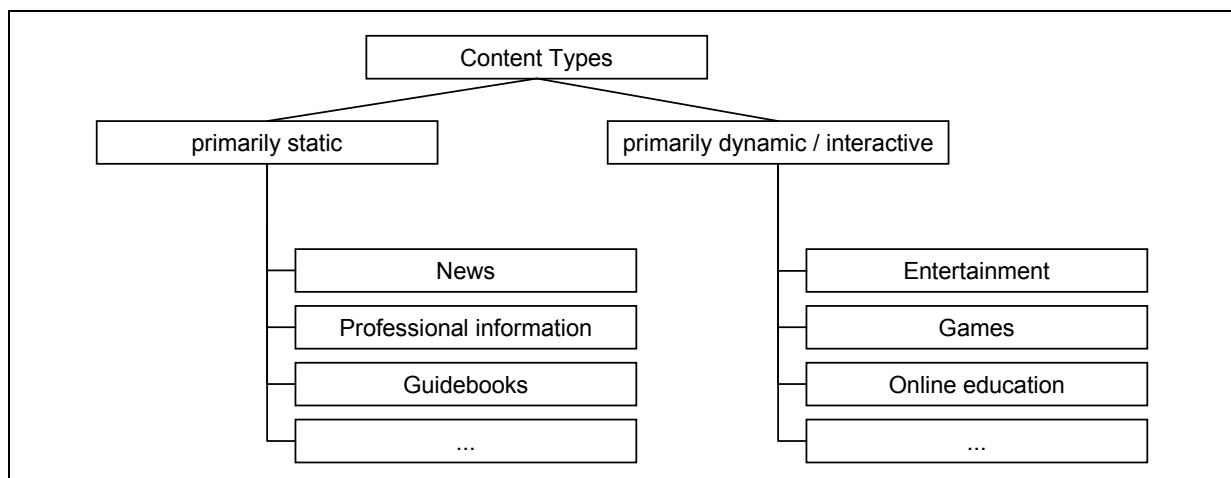


Figure 3.1.2/1: A selection of content types

Syndicators were asked if they specialise in any type of content or content topics (like business news, sports, medicine, ...) or if they rather offer a broad range and tend towards a “one stop shop”⁶⁸.

Where does the content come from?

⁶⁷ Which are the *market-, procurement-, production-, offering-, distribution- and capital model*. See Wirtz (2000b), p. 45.

⁶⁸ In a „one stop shop“ a customer can find all products (contents) needed, without having to visit another shop.

This question focused on whether all content is acquired externally or the syndicator owns an editorial department to create content itself. If so, it was asked since when and to which extent this

How does a distinction between branded content and commodity content take place?

Branded content⁶⁹ is delivered to the publisher with brand information about the originator, showing the quality of the content to recipients and generating brand awareness for the originator. Depending on which of both effects preponderates, the content – in comparison with unbranded content – is more expensive for publishers, priced with a discount or even free of charge. Commodity content is mass content for a broad range of customers, which doesn't show possibilities for differentiation.

Syndicators were asked to explain the way they distinguish between these two content types.

Business partners

The number and size of providers and customers was asked with the following questions.

How many content providers deliver content?

How many customers are served?

Which criteria exist for the selection of providers and customers?

In order to follow the business targets a syndicator has set (which might be: *delivering only quality information, serving as many customers as possible, forcing format- and transmission standards*, etc.) the selection of providers and customers might depend on certain criteria. These might be content quality⁷⁰, seriosity of the content source or transparency of the price structure⁷¹.

Revenue/ billing model

A revenue model comprises the different ways in which a company generates income. In the media business, these can be of particular variety⁷². WIRTZ defines four income sources for media companies – the *advertising-*, the *recipient-* and the *rights-market* as well as the *state* (as source of subsidisation). Principally, syndication companies act on the rights market (where licenses and copyrights are traded) and might also show activities in the advertising- and recipient-market.

⁶⁹ Branded content is predominantly content with special value for certain target groups and comprises focused information on specific topics. In contrast to that, commodity content is not targeted to certain groups and comprises general information like weather- or policy news.

⁷⁰ Which is particularly critical for establishing community-brands online. See Anonymous (1996), p. 7.

⁷¹ See Anonymous (2000b).

⁷² See Wirtz (2000b), p. 47.

Besides questions on which income source the content syndicator focuses on, it was asked if bundling strategies are used for revenue maximisation or other purposes and how the billing is designed.

The following Figure 3.1.2/2 gives an overview of different remuneration-/ revenue models, including non-monetary remuneration which might be interesting for content originators or syndicating publishers, who want to generate traffic for their own websites.

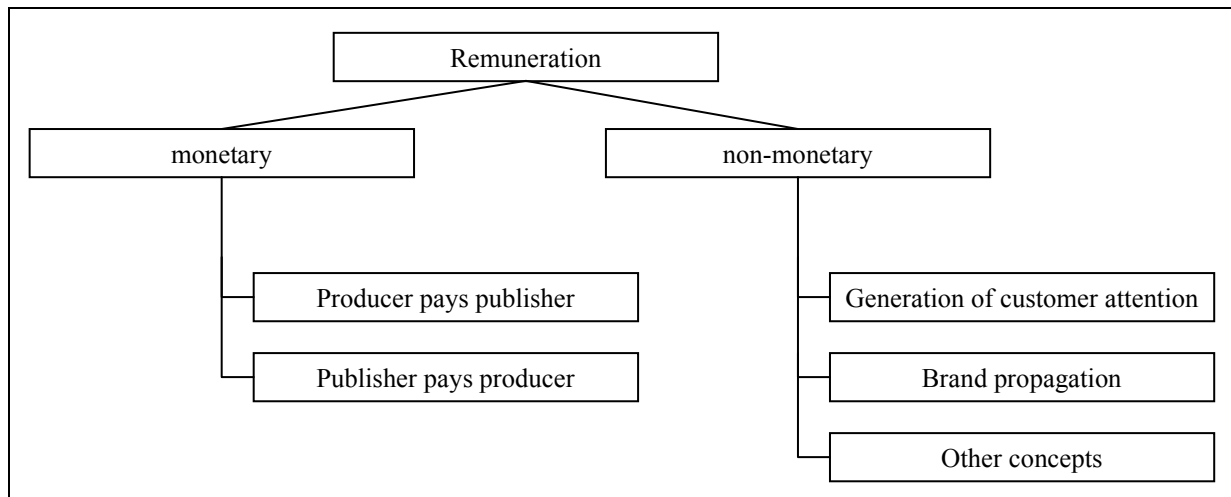


Figure 3.1.2/2: Different forms of remuneration

This systematisation doesn't entirely cover the possible remuneration sources for content syndication. It is to be seen as a first approach and will be subject of further research.

Billing can roughly be differentiated into "pay per view" and "flat fee" payment, which will not be analysed in detail in this paper. Subject in the questionnaire was this primary distinction.

Contract design/ copyright handling

Syndicators were asked to explain how they design contracts with providers and customers (i.e. primarily individual or standardised) and how copyrights are handled (i.e. the extent to which customers are entitled to use the content).

Pricing

Due to the specific characteristics of content as a product, pricing is one of the areas which exhibit ample intransparency. Syndicators were asked to describe their model of price determination.

Added value

As discussed in chapter 2.3.2, content syndicators may provide value adding services in various fields. Which of these services they focus on and which unique selling proposition (USP) they offer, the syndicators should describe in this section.

3.1.3 Technical overview⁷³

Media types

Media types describe the various representation forms of content⁷⁴. Examples include text, picture, audio and video. Syndicators should report which media types dominate and how this relation will shift in the future.

Content storage

Syndicated content can be stored in a single one or a combination of three different locations, which are the provider's (or originator's), the syndicator's or the publisher's server. The client used by the recipient to access the content normally stores the content as well – however predominantly for caching reasons and not for business purpose.

Various advantages and disadvantages emerge from different storage options, basically in the fields of:

- access speed
- storage- and transferral costs
- storage period
- enforcement of copy- and archiving rights
- performance- and access measurement (for correct billing)

The occurrence of either of these fields depends on the different content- and media types which are to be stored on and which added value the syndicator provides for providers and publishers. For instance iSyndicate can publish content on own servers, track the performance and give advice on how to improve performance⁷⁵.

For the purpose of this survey, questions were limited to the location where the content is stored.

Data formats

The various media types can be stored in an even broader range of data formats. The standardisation of these data formats is crucial for successful content exchange. However, different originators create and different publishers publish content in various data formats, forcing the syndicator to support this variety.

⁷³ This structure is underlined by fundamental aspects mentioned in Hess (2001).

⁷⁴ See Rawolle/ Hess (2001), pp.16.

⁷⁵ See Tedeschi (2000).

A standardisation takes place mainly according to the data format in which content is stored by the syndicator and in the field of transmission protocols. Prevailing and developing standards are XML (Extensible Markup Language) for the storage of information independently from its publishing layout⁷⁶, as well as NITF (News Industry Text Format) or XMLNews for particular types of content. The content exchange protocol ICE (Information and Content Exchange) was developed for the standardisation of content transmission, but so far it was not able to gain significant importance and seems to vanish in the long run. Currently, HTTP (Hypertext Transfer Protocol) and FTP (File Transfer Protocol) are used predominantly for content exchange.

Data transmission method

In combination with the data transmission protocol, there exist two basic methods of data transmission. With *pull* technology, the content customer initiates the content transfer, whereas with *push* technology, the content provider takes care of this procedure. This distinction is relevant for both the interfaces between originator/syndicator and syndicator/publisher. As with the storage of content, the occurrences of this methods might depend on the different content types. Syndicators were asked, which methods they use for both of their external interfaces.

Content classification

In terms of trade – which is the business purpose of a content syndicator, the regrouping of goods is a basic function⁷⁷, requiring the prior classification of the goods (content) traded.

Therefore, another technical aspect is the way content is classified and assigned to certain content categories. Depending on the complexity of the content, this might be done best manually or with support of classification applications⁷⁸. Since most of the content is classified by the author within the creation process and categorised according to the originators categories, the matching of the (most possibly) different categories of originator and syndicator is the most prevalent problem. Furthermore the classification of content which already exists but is not yet classified is another technical issue. Syndicators were asked to describe the way they deal with content classification.

⁷⁶ See Dumbill (2000).

⁷⁷ See Müller-Hagedorn (1998), pp. 108.

⁷⁸ Various applications for content categorisation are already offered by software providers. An example for the classification of video content is the Virage's Video Logger software, which is able to analyse persons in a video and to transform speech to text. See Anonymous (2001b), p. 44, and <http://www.virage.com/products/videologger.html>

3.1.4 Business model issues and market prospects

Do problems occur in the business model?

Syndicators were asked to describe which problems they experience with their current business models.

Which business model elements should be enhanced?

More in detail, syndicators should name business model elements (e.g. pricing, billing, content classification) which they perceive as not yet entirely elaborated and which should be subject of further development.

How will the syndication market develop?

Finally, the survey participants should describe how they expect the content syndication market to develop and which tendencies they see or suspect.

3.2 Cases

The eight companies chosen for analysis are either entirely or primarily serving the German content market. Besides five independent companies (business media⁷⁹, Contonomy, instantContent, Profact Web Content and Tanto), three syndicators belonging (at least partially) to media conglomerates (cocomore, Contara and iSyndicate Europe) were surveyed.

Table 3.1.4/1 list the participants, their web addresses and owner structure.

Company	Web address	Owner structure
business media	www.businessmedia.de	subsidiary of Blue C
cocomore	www.cocomore.de	subsidiary of Bertelsmann and Falken
Contara	www.contara.de	subsidiary of Holtzbrinck
Contonomy	www.contonomy.de	stand alone
instantContent	www.instantcontent.de	stand alone
iSyndicate Europe	www.de.isyndicate.com	Joint Venture of Bertelsmann and iSyndicate Inc.
Profact Web Content	www.profact.de	stand alone
Tanto	www.tanto.de	stand alone

Table 3.1.4/1: Survey participants

In this chapter, business model details of each of the participants are described, whereas the given information results from phone interviews, conducted in February/March of 2001. The subsequent chapter 3.3 then summarises the findings and draws a conclusion. The compre-

⁷⁹ Although business media is not a stand alone company, it is not considered belonging to a media conglomerate since its owner is not a content originator.

hensiveness of the chapters for each survey participant depends on the information given by the interviewees.

3.2.1 business media

Company facts

business media started its activities in June of 2000 and is a subsidiary of Blue C, an incubation company which is building a portfolio of “New Economy Networks”⁸⁰.

Business media has currently 17 employees and can make use of Blue C resources for projects or special tasks. Therefore the employee base is not planned to be extended in the short term. Belonging to an incubation company, an IPO is not precluded for business media, but not taken into deeper consideration at present. business media started as a pure content syndicator, developing its own syndication technology and applications. This technology is now also provided to other syndicators, moving business media into a syndicator- as well as a syndication-enabler position.

Business model details

business media doesn't focus on specific content types or topics, but it doesn't preclude a specialisation. This is backed up by the fact that many customers in the field of medicine are served. The entire syndicated content is acquired externally, business media doesn't create and publish content itself. Branded content is delivered with attached brand information, making the branding transparent to the content recipient; it is distinguished from commodity content by commanding a higher price.

Up to now, 10 big content providers (e.g. DPA, Deutsche Presse Agentur, or VWD, Vereinigte Wirtschaftsdienste) have been acquired, whose content is offered on a continuous basis. Additionally, 51 special interest partners provide content on customer demand.

Addressing companies inside and outside of the Blue C partner network, business media so far serves four syndication customers. Intense efforts are put in serving the mobile WAP and PDA-market as well as large corporate intranets. At the moment, business media sees itself not in the position to choose partners, consequently there are no significant criteria for the selection of providers and customers. However, customers are required to generate a minimum turnover in order to make a content delivery deal profitable.

A preclusion list was agreed with providers, defining which content may be delivered to which customer. Concerning the providers, business media chooses preferably only few providers who can deliver a broad range of content.

business media generates revenue solely by charging a provision for delivered content, which is paid on a flat fee basis. The provision percentage amounts to a “two digit number”⁸¹. Other concepts (e.g. traffic generation for content originators or pay per view billing) are not employed. According to Figure 2.3.2/2, business media doesn’t cover a risk taking function, the originator is paid for each content feed delivered to a publisher.

In the field of copyrights, it is agreed with originators that headlines may be changed and content may only be distributed to non-reselling companies. By request, providers are asked for approval whenever a content deal is placed. Contracts with both providers and publishers are predominantly designed individually.

The prices for content elements are set according to a price matrix which was the result of a project, where a variety of content producers were surveyed and asked to estimate the value of their content. As a result, prices are depending on certain content parameters (e.g. the size of a text or the number of its characters).

business media defines its value added in the fields of technology provision (i.e. syndication software delivered to other syndicators) and the access to Blue C resources, including consulting concepts and optimised bundles/ combinations of content and offerings delivered by other Blue C companies. Content itself is bundled for the optimal addressing of customer’s target groups, which is done manually, by technology or even by content providers.

Technical overview

business media handles all types of content, whereas text and pictures amount to the highest volume. At the moment there is not much demand for audio, video and syndicated databases. Originators can deliver content in any format, which is automatically converted and stored in XML. Publishers, in turn, can receive content in any requested format, for which a second conversion from XML into HTML, plain text, PDF, or other formats takes place. The classification of content is done automatically based on catchwords and context analysis.

Business model issues and market prospects

In the view of business media, the pure syndication business model cannot persist for long, unless syndicators focus heavily on certain topics and avoid covering every possible field. Additionally and in contrast to that, business media perceives that stand-alone content syndication without a big publishing house as a partner is only feasible if a huge catalogue of content is offered.

⁸⁰ See http://www.blue-c.com/de/about_us.php3.

⁸¹ As mentioned by the interviewee.

In the mid term, business media expects a trend towards a market consolidation and a reduction in the number of stand alone syndicators by mergers and acquisitions. Eventually, a maximum of 10, but rather 3-4 content syndicators might persist as well as a number of specialised niche providers.

Further, content publishers currently show a discrepancy between the importance of content and the money spent on content. As a result, the profit which is to be made with content syndication is still rather small.

3.2.2 Cocomore

Company facts

Cocomore was founded in August 2000 as a subsidiary of Bertelsmann Buch AG, 3i investments and Sequoia, whereas CEO Dr. H.-U. von Freyberg is a majority shareholder of Cocomore. By March 2001 Cocomore has 50 employees.

Business model details

Cocomore syndicates primarily guidebook- and advisory content as well as content in the fields of games, riddles and lifestyle. Content is either created by Cocomore itself or is acquired from exclusive originators like the Falken publishing house⁸². All contents are revised by editorial staff, specialised freelancers or cooperation partners. Content is not marketed as branded content, but Cocomore quotes the originator when delivering content to publishers and also offers branded content on customer demand. However, some customers insist on 'white label' content. Ticker messages and single media assets are not distributed by Cocomore, but integrated into modules whenever necessary.

Cocomore cooperates selectively and often exclusively with providers who offer high quality content and strong brands like dpa, meteofax, Krüger Rätsel and CZ information technology and currently delivers content to five large German enterprises. Cocomore makes great demands on content providers who must enable Cocomore to reach or outreach the best existing internet presence for a specific topic. Thereby, Cocomore intends to collaborate with agencies and media- and consulting companies.

Contracts with originators and publishers are standardised, whereas publisher contracts specifically define the content which is to be delivered. The billing is based solely upon flat fees and prices are set according to up front- and running costs. Prices paid to originators additionally depend on market conditions. The average turnover with single originators and publishers is denoted as a 5- to 6 digit figure. Since Cocomore covers a large part of content

⁸² See www.falken.de.

production and editing, most of the costs and revenues incur in-house. A share of 10 – 15% of the revenues are remitted to providers of raw content.

Added value is generated in the fields of content production and –editing as well as in technological adaptations (mainly the fitting of content into the customer's website look & feel) and application development.

Technical overview

Cocomore offers all media types, normally stores them on Cocomore's servers and provides them in a standardised- or proprietary format on customer demand. In the field of content transfer, push and pull technology is supported according to customer requirements and the classification of content can be done manually and automatically.

Business model issues and market prospects

Cocomore states that its business model is working and that the promotion of its offerings is being pushed. So far it cannot be anticipated which branches or company sizes the Cocomore offering is suited best/ least for. This will become clear over time.

Cocomore sees a trend towards more complex services and sumptuary products. Syndicators are to advise customers and offer all-inclusive solutions. They won't be just middlemen and brokers.

3.2.3 Contara

Company facts

Contara was founded in July of 2000 and is operating since October of 2000. The company belongs in equal shares to Holtzbrinck networXs and to Caatoosee and has already planned to do an IPO. Contara serves the German market and has planned an international export strategy, whereas, so far, some international pilot customers acquire German content for the German market. The company currently has 16 employees.

Business model details

Contara offers specialised content in different so-called content channels (e.g. business, new technologies, news) which cover a broad range of topics but emphasise on business information. Contara acquires all contents externally (from the Holtzbrinck publishing group and other providers) whereas Contara focuses on independent and neutral content from market leaders which is customer oriented. In the medium term, also the creation of content is planned.

Contara perceives the reliability and authenticity of published content as an internet-specific

issue and provides only branded and scrutinised content which is always delivered in con-

junction with information about the originator⁸³.

The company is supplied by 15 to 25 content originators and has skeleton agreements with three customers. A couple of criteria like brand strength, competency leadership in certain subjects, seriousness, correctness and also technological abilities apply to content providers.

Cooperations with other syndicators and agencies who deliver full services to customers were entered and also publishers can integrate own content into Contara's content portfolio.

Revenues are solely based upon content sales, only full text is delivered and no headlines are syndicated for traffic generation. However, a B2C publishing portal is planned which also shall render traffic generation.

Contara partly assumes liability for legality and integrity of the content, but not for its correctness. An important issue is the allowance for archiving of content at Contara and/ or the publisher. In case of high value content, archiving often is not allowed by the originator.

Contracts are predominantly designed individually with providers, whereas Contara prefers and aims at standardisation. With customers about 50% of the contract is standardised.

Content is solely paid on a flat fee basis according to the overall value of the delivered content. Different packages with possibilities to tailor contents to target groups are offered⁸⁴.

Content pricing is based upon experience and the provision share remaining for Contara depends on turnover.

Contara conceives its value added as a "carefree packet" for customers, combining a "one stop shop" with IT-based solutions and services like XML harmonisation and the offering of a distribution channel for providers. ASP (application service providing) services and individual customer advice are offered additionally as well as content personalisation, a neural search engine and integration of content into the look and feel of customers' websites.

Content is basically sold in bundles, which is considered advantageous for the syndicator and the customers, but it can also be assorted individually.

Technical overview

Contara basically offers all types of static media and plans to offer audio and video as well as interactive content in the mid term. Mobile information (WAP, SMS) will be provided in the short future. The content is predominantly stored on Contara's servers (enforcing the aim of application service providing) and may also be handed over to publishers. It is provided in XML, HTML and TEXT format, supporting interfaces to customers' content management systems and transferred using smart pull technology (software starts the pull process periodically). The first classification of the content of new providers takes place semi-automatically, where provider's categories are matched with Contara's categories developing a matrix table. This process is followed by a second manual classification after which content streams

can flow directly between provider's and Contara's systems and automatically into Contara Categories.

Business model issues and market prospects

Contara perceives the pricing of content as a difficulty of the content syndication business model since, so far, no market price for content is observable and target prices are not clarified. Furthermore, the intelligent and economical information bundling is problematic and a reasonable service depth is yet to be determined.

Content providers often tend to overprice their content in comparison to the value they ascribe to the value added services a content syndicator can deliver. In the medium term, rights management needs better standards although Contara so far saw no problems in that field.

Concerning the market, Contara perceives a current me-too phase where the business model is easily imitated by market entrants. In the medium term, the market might enter a phase of specialisation where small providers will cover niches and an oligopoly might evolve with about five syndicators, who will cover the mass market ("Content Mega Stores"), and provide B2B solutions.

3.2.4 Contonomy

Company facts

Contonomy was founded in August 2000 and is held by four founders and a group of five investors. Currently 18 employees work for Contonomy which are planned to be extended to 25 according to the business plan.

Business model details

Contonomy syndicates all content topics and doesn't have restrictions whereas content often is delivered on specific customer request. However, a set of 3-4 main topics (in the field of stock exchange, finance, computer, wellness, healthcare and sport) build a focus.

Content is completely acquired externally from 90 providers (e.g. dpa, IDG, small editorial offices) whose different content elements are often bundled by Contonomy.

A distinction between branded- and commodity content is made by both providers and Contonomy, whereas branded content normally is cheaper because the brand-name is always attached to the content. So far, Contonomy serves five customers whereas Webagency⁸⁵ serves as a multiplier, who delivers content to websites of its various small businesses customers. Providers are chosen according to their content offerings and supported formats, whereas customers are required to generate a minimum turnover in order to cover Contonomy's up front project cost⁸⁶. Depending on the provider, content may not be altered and

stored for only a limited time. Contracts with providers are partly standardised and include an individual appendix defining contract parameters whereas customers have only little ability to negotiate.

Contonomy offers flat fee billing with both providers and customers and the price is set by providers according to length of the article, size of the targeted website, storage period, brand name and purpose for which the content is needed. Contonomy keeps 30-50 per cent provision from turnover and plans to implement headline syndication which the content provider has to pay for as this generates traffic for his website.

Contonomy's unique selling proposition comprises content consulting, tailor made content concepts, one stop shopping and the technical realisation of content delivery. Other general features were mentioned which are the independence from single providers and the offering of different contents to a single topic.

Technical overview

The content delivered by Contonomy predominantly comprises text (85%) and pictures (50%). A cooperation is planned with a company to deliver rich media content and also content relevant for CRM (customer relationship management), which comprises interactive elements, databases, routing & mapping information and games.

Content is stored according to its maturity period on either the syndicator's or the publisher's servers in XLM format and is distributed using FTP, HTTP or ICE (as planned). Classification takes place mostly automatically, sometimes also by the manual way.

Business model issues and market prospects

Contonomy sees problems in information pricing and in restrictive content providers who fear copyright infringements. An automation of copyright management could streamline the content syndication process and assure copyright enforcement.

Another central problem arises from different data formats, whose conversion is inhibitory for the syndication process.

Contonomy perceives the information market as huge but sees projections with caution and expects a maximum of 5-10 content brokers to survive.

3.2.5 instantContent

Company facts

instantContent is operating since July 2000 and serves solely the German market, whereas an expansion into other German speaking countries is planned. The number of currently five employees is planned to be extended to eight.

Business model details

instantContent is not specialised in topics and offers a full range of contents which are completely acquired externally from currently 15 content providers (many negotiations are pending) and sold to about 3000 customers. An own creation or editing of content doesn't take place. Content providers are chosen according to market relevance and quality of their content offerings.

instantContent normally gets rights to distribute content for a limited time. Billing is based only on flat fees, which are scaled according to the number of views. No real pay per view is offered.

instantContent delivers added value by offering a one stop shop with independent content as well as consulting services.

Technical overview

instantContent handles various media types which are primarily text and pictures as well as some audio content. Video and dynamic content is not offered yet.

The content is stored depending on the technology for streaming and the distribution on provider's, syndicator's or publisher's servers, whereas for content storage at instantContent, a XML database is used, facilitating generation and distribution of every kind of content format.

Content classification takes place half automatically and often manually.

Business model issues and market prospects

instantContent sees much potential in the market, whereas especially new developments in the fields of mobile and UMTS are very interesting. Publishing houses show a tendency to be more open for the market and develop trust in the syndication business model.

The biggest share of the market will be covered by big publishing houses, independent syndicators have to gain critical mass quickly and there will be a tendency towards strategic alliances.

3.2.6 iSyndicate Europe

Company facts

iSyndicate Europe is a Joint Venture of one of the major international players and pioneer in content syndication technology, iSyndicate Inc., and the Bertelsmann media group. The joint venture was founded in autumn of 2000 and started its operations in 2001. T1 New Media, a Bertelsmann subsidiary in the fields of content consulting, -production and –syndication⁸⁷, which is operating since 1993, was brought into the joint venture. Besides the American market, where iSyndicate Inc. is operating since 1997 the company is active in the UK (since 1999) and Germany. In the European countries mentioned, iSyndicate Europe has 60 employees. In the following, speaking of iSyndicate will address not only the joint venture iSyndicate Europe, but the business model of iSyndicate in general.

Business model details

According to Figure 3.2.6/1 iSyndicate follows a broad scope of content topics differentiating between general interest- and special interest content. General interest content is more undifferentiated and suitable for a broad audience whereas specialised content is highly specific and only of interest for a small group of recipients.

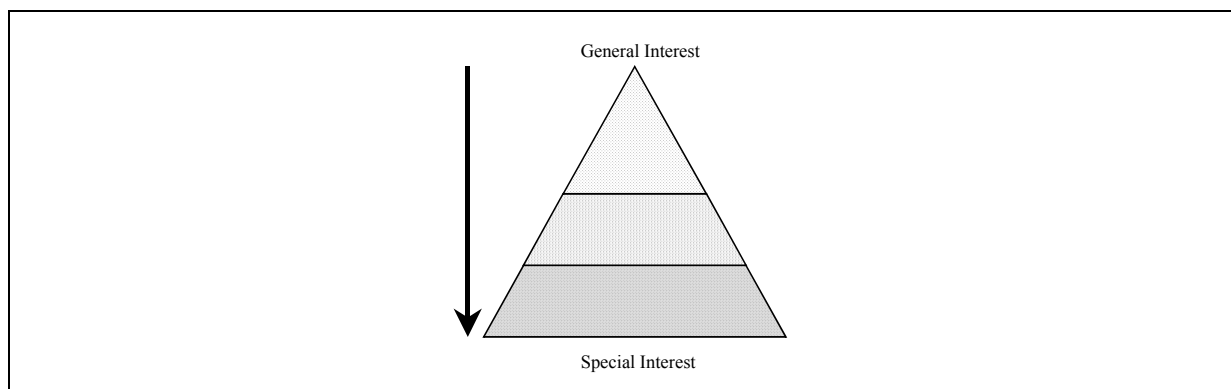


Figure 3.2.6/1: Content pyramid of general and special interest content

iSyndicate customers can buy tailor-made bundles made up of both general- and special interest content.

A factor for the differentiation of iSyndicate from other content syndicators is the access to international content in multiple languages which is specific for various international markets. This is particularly interesting for international conglomerates running websites or intranets with the need for regionally specific content in multiple languages.

Besides the external acquisition of content, iSyndicate Germany hardly creates content itself⁸⁸; the shift has been more and more towards the external acquisition from currently 1,800 international providers. So far 290,000 customers are served and iSyndicate has the aim to

offer content from virtually every content provider to virtually every website, thus becoming a “content mega store”⁸⁹. iSyndicate perceives itself as an independent syndicator and doesn’t have a focus on the Bertelsmann Group as content provider. However, content providers are chosen according to their content quality and update frequency as well as the reliability⁹⁰ of delivery.

iSyndicate has entered various alliances with either technological focus (IBM, Vignette, Siebel) or with professional service providers (Agency.com, Diamond Cluster, Sapient).

A “private syndication network” is established by iSyndicate Inc., comprising the development and licensing of syndication technology to content publishers, offering the possibility to syndicate their own highly specialised content (e.g. product information) to business customers or to deliver professional information to employees. This concept turns out to be fairly successful. It strongly underlines the tendency of established content syndication business models to become technology providers and syndication enablers.

Concerning content syndication, iSyndicate generates revenues from content commission and a pay-per-clickthrough model⁹¹; the commission for content distribution generally amounts to about 50 per cent (in the US). Content is not to be changed and is often not left exclusively to iSyndicate but to other syndicators as well. Content providers have the right to veto if a content delivery agreement is initiated with a new content subscriber. It is targeted to enter agreements with content subscribers based on standardised contract formats (especially with regard to the number of providers and customers) whereas in special cases contracts are designed individually.

Billing generally takes place on a flat fee basis; pay-per-view is relevant for the clickthrough model mentioned, whereas the long-term experiences of iSyndicate Inc. are advantageous for price determination. Additional services like content consulting or technical implementation are calculated using different concepts.

iSyndicate's value added spans experience in information pricing, one stop shopping functionality and competencies in content consulting, packaging and filtering as well as the provision of a content meta database.

Technical overview

iSyndicate offers content in all media types, especially concentrating on wireless end devices⁹². Content is automatically converted into XML and stored in a media independent database, internationally accessible by all regional subsidiaries. Customers have the opportunity to harvest content from the database with a JAVA-Script tool called “iSyndicate Content Delivery System” (ICDS), which provides the content in either HTML or XML format. Classification takes place automatically using neural technology.

Business model issues and market prospects

iSyndicate takes the view that, since the market is not yet fully developed, business model issues and market prospects are hardly to be substantiated. However, small players will definitely face hefty difficulties.

3.2.7 Profact Web Content***Company facts***

Profact Web Content has been an internet editorial since 1989 and is now fully concentrating on the creation of web-content since August of 2000. Six permanent employees and four freelancers are employed and planned to be doubled within this year. The company is privately owned; an IPO is taken into consideration.

Business model details

Profact doesn't follow content syndication- or broking strategies as all other survey participants do, but exclusively focuses on the creation of content on demand, individually developed for specific customers. In comparison with usual content syndicators, Profact has the opinion that quality goes along with individuality and business customers prefer individualised against widely used content. Thereby, Profact follows a diametrically different strategy than content syndicators.

The company offers all varieties of content, having core competencies in research & technology, computers & internet, business & finance as well as healthcare. Thereby, Profact is not competing with news agencies but acquires their information (e.g. from dpa) as "raw material" for own content products. Almost all content delivered to customers is tailor made "premium content", not a commodity product. Additionally, non-individual "shared content" is offered, which, however, faces negligible demand. This reinforces the perception that individual content will prevail. Five large enterprises acquire content from Profact, paying four-digit fees per month. Since the entire content is created by Profact itself and on demand, customers usually get extensive rights to use delivered content in various media, though it may not be changed. A customer might also get rights to publish content a first time, which then can be re-used by Profact.

Since each content delivery involves ample manual activities, predominantly for content creation, the price – in contrast to the multiple distribution of existing content – can be set in accordance with occurring cost. Profact's prices are based on hourly rates and on the customer's weight in the market (i.e. the same content will be priced differently when sold to IBM or to a small company). Pricing often depends on the budgets, which customers set for the acquisition of content for their websites.

Profact has identified various fields to add value. A main USP is the provision of content which customers can use to differentiate themselves, because no identical content is delivered to competitors. The content is tailored to the customer and – in comparison with digitised offline-content – explicitly suited for web publishing; a service Profact calls “Web-Writing”. Profact also offers editorial services for operators of large websites (e.g. for KarstadtQuelle AG⁹³) which can comprise editorship, quality management and consulting as well as the outsourcing of the whole editorial office.

Technical overview

Profact possesses core competencies in the creation of editorial content which is primarily text-based and can include dynamic content (e.g. video) by partnering with corresponding providers. Content is directly delivered to customer’s servers when created individually, whereas interfaces to content management systems are provided. Shared content in turn is stored at Profact and only links are embedded in customer’s websites.

Business model issues and market prospects

According to Profact, the business model faces difficulties as long as the content publishers undergo a learning process and still don’t properly estimate the importance of content for their websites. When developing a website, content is not yet taken into consideration as much as programming and design. Further, the effort put into the definition of content delivery interfaces is still high and the technical reliability of systems should be improved.

Concerning the content market, Profact expects content syndicators and -brokers to persist with a focus on the low budget mass market. In the future, communities of interest might evolve, which end users are willing to pay for.

3.2.8 Tanto

Company facts

Tanto was founded in December of 1999 and offers content on the German, Swiss and Austrian market. An expansion into other European countries (by entering cooperations with regional incumbents) was planned for 2000 but was postponed for the time being. The company is owned by four founders and one investor and plans to expand its employee base from currently 24 to 50 by the end of 2001. Here, mainly technology- and sales jobs are open.

Business model details

Tanto perceives itself as a provider of a full assortment, i.e. it doesn't specialise in any type of content but offers a broad range and follows no niche strategy. Content is solely acquired externally whereas specialised editorial service partners create content on demand for Tanto's customers. Here, the aim is a worldwide network for automatic content exchange⁹⁴.

A distinction between premium- and commodity content takes place by price differentiation. Content partners can choose to be informed about websites who buy their content and can reject the delivery to certain customers. Currently, 40-50 content providers (e.g. international publishing houses, Wallstreetonline, IDG, SAT1 or Doro) deliver their content to Tanto and 1,500 customers are served. By cooperating with the internet service provider livingNet, who acts as a multiplier, numerous small websites can be provided with Tanto's content⁹⁵, whereas key accounts like IBM, Metro or Lufthansa are served by an own sales force.

Tanto practises no specific customer or provider selection. However, certain content topics are excluded (e.g. pornographic- and extreme content) and high quality content and „big“ brands are preferred. Revenue is generated from several sources, which are provision income from selling content (here, Tanto keeps 30-50 per cent of the revenues), the generation of traffic for content providers by delivering headlines and sponsored content, where an advertiser pays for content that is combined with product information.

Billing can take place on a pay-per-view- or flat fee basis. In the case of pay-per-view, a minimum number of impressions is charged (approaching a flat fee concept) and in the long run, flat fee is seen as the prevailing billing method. For streaming content such as audio and video, also a pay-per-volume model is possible

Content is priced according to Tanto's market experience while taking into consideration the willingness to pay of the content partner.

Tanto defines its value added to a large extent around its online content shop, from which customers can easily choose various content elements for integration into their sites.

Providing this easy-to-use content shop, Tanto offers quick and easy access to content and, as it is a feature of the content syndication model in general, customers don't need contracting with a number of content providers. The integration of content into customers websites doesn't take much effort; it can be adjusted to the customers web-design while booking the content in Tanto's shop. As another value proposition, Tanto mentions the usage of the standardised data format XML.

Tanto plans the bundling of content elements and to sell preconfigured packages, saving the customer's effort to find and combine relevant content reasonably. However, also individual packets are offered to individual customers.

Technical overview

So far, Tanto offers the media types text, pictures and databases. Further, it is planned to provide streaming content (audio, video). Typically, the content is stored on Tanto's servers and converted into XML-format, whereas the customer can also choose content to be stored on own servers. The classification of content takes place within an import process, in which content managers and programmers integrate the content of a new provider into Tanto's content catalogue, assigning keywords and classifying it into 30 defined content categories.

Business model issues and market prospects

The most important topics in the future are seen in automated filtering and information retrieval from huge databases as well as the necessary technology for these purposes. A technology network of technology providers and content syndicators could be interesting and helpful. The market pull for content syndication technology is given but not the main driving power since the development (technology push) is already quite fast.

In respect of the content market, Tanto expects a consolidation within the next months after which a maximum of five large scale syndicators might persist in the market. A specialisation will take place and niche providers will evolve, concentrating on special interest content.

3.3 Findings / Synopsis

3.3.1 Summary

The following tables shall summarise the information given in chapter 3.2.

	Company facts				
	Market entry	Employees ⁹⁶	Providers ⁹⁷	Customers	Particularities
Business media	06 / 2000	17	10 / 51	4	
Cocomore	08 / 2000	50	n/a.	5	
Contara	07 / 2000	16	3 / 15	n/a.	International export strategy
Contonomy	08 / 2000	18 / 25	90	5	
InstantContent	07 / 2000	5 / 8	15	3,000	
iSyndicate Europe	09 / 2000	60	1,800 (worldwide)	290,000 (worldwide)	International content in multiple languages
Profact Web Content	08 / 2000	10	(only raw material is acquired)	5	no syndicator, only creation of content
Tanto	12 / 1999	24 / 50	40	1,500	

	Business model details				
	Syndication roles covered	Content range covered	Added value proposition	Content pricing	Billing
Business media	syndication	- currently no specialisation - specialisation not precluded	- technology provision - content consulting - content bundling	- price matrix resulting from a survey of content providers	- flat fee
Cocomore	- syndication - creation - editing	- guide books - advisory content - games - riddles - lifestyle	- content production and –editing - technological adaptations - application development	- According to up front- and running costs - Depending on market conditions	- flat fee
Contara	- syndication - creation planned	- Broad range of specialised content channels - emphasis on business information	- carefree packet - one stop shop - distribution channel for providers - application service providing - neural search engine	- based upon experience	- flat fee
Contonomy	- syndication	- broad range - 3-4 main topics	- tailor made content concepts - content consulting - one stop shop - technical realisation of content delivery	- according to length of article, size of the targeted website, storage period, brand name and purpose	- flat fee
InstantContent	- syndication	- no specialisation	- one stop shop - consulting services	n/a.	- flat fee scaled according to the number of view
iSyndicate Europe	- syndication	- broad range - general and special interest	- development and licensing of syndication technology - content consulting - international content meta database	- based on long term experience of iSyndicate Inc.	- flat fee - pay per view (for click through model in USA)
Profact Web Content	- creation	- all varieties - core competencies in certain topics	- provision of individual content for differentiation - tailor made content - editorship	- based on costs for content creation (labour expenditure) - depending on the size of the customer	n/a.
Tanto	- syndication	- provision of full assortment	- online content shop - standardised data format XML	- based on market experience - according to willingness to pay of the customer	- flat fee - pay per view with minimum turnover

	Technical Overview		
	Media types offered	Content storage	Classification technique
Business media	- All (little demand for dynamic content)	- standardised (XML)	- Catchwords - Context analysis
Cocomore	- all	- standardised - on Cocomores' servers	- manually - automatically

	Technical Overview		
	Media types offered	Content storage	Classification technique
Contara	- all static media - audio, video, interactive planned	- basically on Contara's servers	- semi-automatically, when a new provider is acquired - category matching in a matrix table
Contonomy	- 85% text - 50% pictures - rich media, interactive content planned	- according to maturity period on Contonomy's or publishers servers	- mostly automatically
InstantContent	- text, pictures, audio - video, dynamic planned	- depending on technology for streaming and the distribution	- half automatically - often manually
iSyndicate Europe	- all - concentration on internet, intranet and mobile end devices	- on iSyndicate's or the customer's servers	- automatically - using neuronal technology
Profact Web Content	- primarily text based - combination with dynamic content possible	- individual content on customers servers - shared content on Profact's servers	n/a.
Tanto	- text, pictures, databases - streaming content planned	- typically on Tanto's servers	- import process: integration of providers into content catalogue - classification into 30 categories

	Business model issues and market prospects	
	Issues perceived	Market prospects
Business media	- Specialisation is necessary for survival - without a big publishing house as partner, survival only with huge content catalogue	- Market consolidation - 3-4 syndicators will survive - niche providers will emerge
Cocomore	- no statement possible yet, which branch or company size Cocomore's services are suited best for	- tendency towards more complex services and sumptuary products - Syndicators will not just be middlemen or brokers
Contara	- pricing is problematic - no market price observable - reasonable service depth not yet determined - providers tend to overprice content - rights management needs better standards	- currently: me too-phase - specialisation phase in the mid term - small niche providers - oligopoly of about five big players - "Content Mega Stores"
Contonomy	- pricing - restrictive content providers with fear of copyright infringements - automation of copyright management is useful - conversion effort of different data formats inhibitory for the syndication process	- projections to be seen with caution - maximum of 5-10 content brokers will survive
InstantContent	- syndicators have to gain critical mass	- much potential in the market, especially new developments (UMTS, etc.) - publishing houses tend to be more open for the market and develop trust in the syndication business model - tendency towards strategic alliances
iSyndicate Europe	- pricing models especially in the mobile sector are difficult to be defined	- no reasonable statements possible yet - small players will face substantial difficulties
Profact Web Content	- customers underestimate the importance of content for their websites - content is not budgeted	- syndicators and brokers will focus on the low budget mass market
Tanto	- automated filtering and information retrieval from large databases	- consolidation within next months - about five large scale syndicators and various special interest providers will persist

Most of the survey participants have not yet reached break even and anticipate to become profitable in the year 2002. Turnovers and turnover projections are quite differential, though companies (except iSyndicate) don't vary much in size. The companies which gave information on turnovers state current figures in a range from less than € 500,000 to € 1,5 million and give projections for the following year of about € 2,5 million. Turnovers made with single customers vary from € 5-7,5 (for very small customers) to about € 5,000 per month (for contracts of large scale, which in part amount to 5-6 number figures as stated by some participants).

3.3.2 Analysis

Company facts

Except iSyndicate Europe, all survey participants don't vary much in size, i.e. the number of employees, and were predominantly founded in the third quarter of 2000. However, the numbers of providers and customers vary widely from 3 to 1,800 (providers) and 4 to 290,000 (customers). This might be caused by smaller numbers addressing major customers with significant turnover and larger numbers comprising every single content buyer.

Concerning the international presence, iSyndicate again builds an exception by comprehensively offering international multi language content to all customers. Most of the other syndicators focus on the German or the German speaking market.

Business model details

Syndication roles

It is found that the content syndicators in equal shares either solely focus on the syndication function and don't have competencies in content creation and editing or they combine the syndication function and creation capabilities (respectively plan to do so). It could be expected that the offering of content creation correlates with the number of customers served, in the way that syndicators who create and edit content rather focus on a small number of major customers and don't create content for minor publishers with little turnover. Consequently it could be anticipated that pure syndicators⁹⁸ handle a large number of customers as they can solely focus on the syndication process and profit strongly from economies of scale. However, examples like business media (pure syndication; 4 customers) and iSyndicate Europe (syndication and creation; 290,000 customers) show that reality is different and content syndicators seem to combine content creation well with a huge number of customers.

None of the participants currently covers the publishing function. Only Contara plans to build a portal site to publish syndicated content.

If content is requested on demand by customers, most syndicators charge a content provider with the creation of this particular content.

Here, the distinction between two basic delivery methods – the continuous provision of content created on a recurring basis and the primarily demand-driven one-time provision – is relevant. All content syndicators offer content on a recurring basis (whereas the update period varies from hours to months depending on the type of content), almost all also provide individual content on customer demand.

Content delivered

Most syndicators offer a broad range of content and don't tend to specialise in any direction. Except Cocomore who focuses on guide books and advisory content, others don't show core competencies in certain content types or have roughly identified some main topics. Here the question arises, if the concentration on certain content types or topics is interconnected with content creation capabilities. It is questionable if a syndicator who offers virtually every kind of content can also provide substantial and reliable editing or creation services.

Value added

All survey participants provide a variety of services in extend of the pure syndication function. Almost all provide content consulting for publishers and ample technological support for the integration of content into the design of customer's websites. Some content syndicators even move into the field of syndication enabling by licensing technology that was initially developed for own purposes to other syndicators or to customers who want to manage and distribute content on their own. E.g. iSyndicate Europe offers customers the possibility for self-syndication by providing its "Private Syndication Network" technology. business media develops syndication technology and licenses it to other syndicators.

Other fields of adding value arise in combination with the variety and type of content delivered. Syndicators, which offer customers a broad range of externally acquired content to choose from, typically name "one stop shopping" as a selling proposition whereas for instance Profact Web Content, the only pure editorial office surveyed, emphasises the value of individually created and exclusively provided content on customer demand. A mixture of these poles build tailor made content concepts, where the syndicator bundles various content elements according to the customer's objectives and target groups.

Content pricing

One of the least evolved elements of the business model is the pricing of content. No syndicator employs a highly elaborated or sophisticated model for content pricing yet. Some survey participants price content based on market experience which often is brought along by

company founders who have spent time in the content industry. Besides that, also more reasonable approaches for price determination were mentioned. Considering content costs, prices depend on the length of articles, on costs for content creation (when content is created on demand) or on up-front and running costs for content delivery. Taking the customer perspective, some syndicators price content according to its value for the customer. Answers comprises the size of the targeted website, the size of the customer and the willingness to pay of the customer.

In part, prices can also be prescribed by content creators, impeding the syndicator to set own prices.

Billing

Having offered pay-per-view billing models in the beginning, all content syndicators now concentrate either solely on flat fee billing or offer combinations of pay-per-view and flat fee. Considering the need for planning certainty of both providers and publishers this is comprehensible⁹⁹, although a pay-per-view model ensures a performance-related payment and in the field of advertising companies already prefer pay-per-click against flat fees¹⁰⁰. In part, flat fee billing is adjusted according to usage of the content, which for instance is offered by instantContent, having different levels of flat fees according to the dimension of views.

Risk taking

The number of providers in comparison with the number of customers¹⁰¹ suggest that syndication deals are predominantly comparable with third-party-deals, where the syndicator only then pays the provider for content or even acquires it, when a publisher has bought it. This way, the syndicator doesn't practise risk taking (see Figure 2.3.2/2). In the cases surveyed, risk is predominantly taken by the content creator and the publisher. The content creator is paid a flat fee, when content is effectively acquired by a publisher. Thus, his payment depends on how many publishers actually use his content, hence he takes the risk of his content not selling well. Additionally, the publisher pays a flat fee for the acquired content, independently from how many users actually view the content and are exposed to banner ads or e-commerce offerings. In consequence, most of the risk is taken by the publisher, whose investment in content might not pay when no user is interested in it, the risk taken by the content creator is smaller since the content is often already utilised in offline- or other online fields and has already paid. If syndication is not a supplementary business for the content creator but the primary one, he faces the risk of not selling content often enough to publishers as to recover creation costs. The syndicator in contrast doesn't take any risk of financial loss¹⁰².

Technical overview

All syndicators already offer or plan to offer all possible media formats whereas static formats (text and pictures) currently prevail. Some syndicators especially or even exclusively concentrate on certain media types. For instance iSyndicate particularly enforces wireless end devices, the US syndicator BusyBox¹⁰³ solely provides video material. Besides these media, especially interactive content (databases, games, etc.) is more and more becoming relevant, though the customer's demand for this kind of content is still quite small. The storage of content is generally very flexible and most syndicators offer possibilities to store content on own or on the publisher's servers. In part (e.g. instantContent) the storage is depending on the technology used for streaming. This becomes particularly important with the distribution of audio and video content proliferating.

A crucial part for the delivery of tailored content on customer's demand and to fulfil the syndicator's trade function "regrouping of goods" is the technique used for classification. The survey participants employ various means of content classification which can basically be distinguished into *manual* and *automatic*. Almost all syndicators make use of automatic or semi-automatic classification and can also classify manually in case of necessity. Depending on the type of content (short duration news or stock quotes vs. long duration guide books or articles), the need of a fast automatic classification is rather high or low. The sophistication level of the solutions employed reaches from the assignment of catchwords and the matching of provider's and syndicator's categories in a matching table to context analysis and neural search engines. Still some syndicators often classify content manually which still is possible for small amounts of textual content or pictures. When it comes to rich media content (audio, video), powerful classification technology must be employed to keep classification effort on a reasonable level¹⁰⁴.

Business model issues and market prospects

The survey participants partly perceive very similar but also quite varying issues in the business model. These issues can be assigned to the following categories:

- Originator's attitude and behaviour
- Syndicator's business model configuration, capabilities and market experience
- Publisher's attitude and behaviour
- Technological issues

Originator's attitude and behaviour

Originators, basically publishing houses, which predominantly create content for offline markets (e.g. print, CD, TV) often lack experience with online publishing, hence they simply offer

existing content for online syndication. Further on, originators often estimate the value of their content according to offline usage, which is not adequate for online publishing since the online user's willingness to pay (which affects the online publishers willingness to pay) is very low. In consequence, originators need to lower their revenue expectations from syndication. Finally, content originators fear copyright infringements due to the simplicity of copying¹⁰⁵ and distributing content on the internet.

Syndicator's business model configuration, capabilities and market experience

Due to the early stage of development, syndicators don't have considerable experience in the market (however, founders and employees often have ample experience in the field of media or publishing) and cannot state which business model configuration is suited best. In connection with issues in the field of content originators, difficulties arise in the fields of copyright management (which needs better standards), pricing (which is difficult since no market price is observable yet) and the reasonable service depth¹⁰⁶. Furthermore, syndicators in part don't know which customers their specific offerings are suited best for, i.e. who will eventually acquire their content.

Publisher's attitude and behaviour

Syndicators mention that publishers often underestimate the importance of content on their website and companies often don't assign budgets for external content when developing websites.

Technological issues

Content originators often don't provide content in a structured format or use proprietary page-based data formats (especially if content was initially created for offline publishing). Therefore syndicators need to employ technology with extensive conversion capabilities. Concerning the storage of content, automated filtering and information retrieval from large databases should be supported.

Market prospects

Not surprisingly, most of the survey participants have quite similar expectation on the future development of the content syndication market. After the current me-too phase, in which new syndicators easily enter the market, all survey participants expect a consolidation of the market within the next months, characterised by alliances and a significant reduction in the number of syndicators. The syndicators mention two different long term strategies for survival of their business model, which are

- Specialisation in content types or topics and concentration on niche markets
- Vast expansion of content offerings and development of “content mega stores”

Although there is much potential in the market, only a small number (i.e. an oligopoly) of large scale syndicators is expected to persist, prospect numbers varying from 3 to about 10. Besides these “content mega stores”, focusing on the low budget mass market, various specialised niche providers will emerge.

Generally, syndicators expect a tendency towards more complex services and a turn away from pure intermediation- and broking services.

3.3.3 Further research questions

From the case study analysis given above, a set of questions for further research can be derived, addressing business model parameters and economic forces which might influence the success of the future content syndication business model.

Syndication roles / value added

- *Which combinations of the content syndication roles are economically suitable?*
- *Is the observed coverage of certain content syndication roles interconnected with the number of customers?*
- *How important is the backing of syndicators by big publishing houses having content creation capabilities and copyright archives?*
- *Which value adding functions are most relevant for offering in combination with the pure syndication- / broking function?*

Content- / media types

- *Which influences arise from the variety of media types offered?*
- *Which content type, format and quality is likely to be demanded by which kind of customers?*

Market prospects

- *Which scenarios are possible for the future structure of the content syndication market?*
- *Which number of information- / content intermediaries is suitable for the market?*
- *How can niches in the future content market be identified and defined?*

4 Outlook

The paper on hand tried to introduce the new internet business model content syndication by describing its basic concept and analysing the practical state of the art by means of case studies. The results show that the business model comprises a wide variety of parameters in the fields of syndicating content, adding value and generating revenue, which in part are covered equally but also differently by the companies surveyed. Most companies were founded in 2000 and due to the early stage of development the business model is still in a testing phase and comes along with a set of problems. Besides the problems directly mentioned by the surveyed companies and discussed in chapter 3.3, other general issues are relevant for the business model, having major impact on how content syndication works and if – in the long term - it is a viable business model at all.

Given the market pull of publishers wanting to lock in users to their websites and e-commerce offerings as stated in the introduction, it is not yet verified that users are in fact attracted and locked in by externally acquired editorial content¹⁰⁷, particularly when the main offering is not content-based (e.g. e-commerce with tangible commodity goods, ticket sales, etc.). It is not questionable, that content, acquired specifically for the purpose of informing or entertaining customers or employees (e.g. within intranets), adds particular value to a website; however, it may not remunerate in comparison with the acquisition cost. Here, further research can determine for which type of websites it pays to publish syndicated content.

Further, given the ample provisions which content syndicators retain from turnover (which amount up to 60 per cent), and the often differing valuations of content originators, it is questionable if originators are easily inclined to syndicate their content through dedicated syndicators and don't prefer to deal directly with publishers, what has the supplementary effect that originators always know the publishers of their content. In fact, content originators generate more revenues through direct syndication deals than through syndication networks (since syndicators keep too much of the revenues), thus are not willing to put too much effort in relationships with content syndicators¹⁰⁸.

On the basis of these problems and the ones mentioned by the survey participants, three different scenarios seem possible for the development of the future content syndication market.

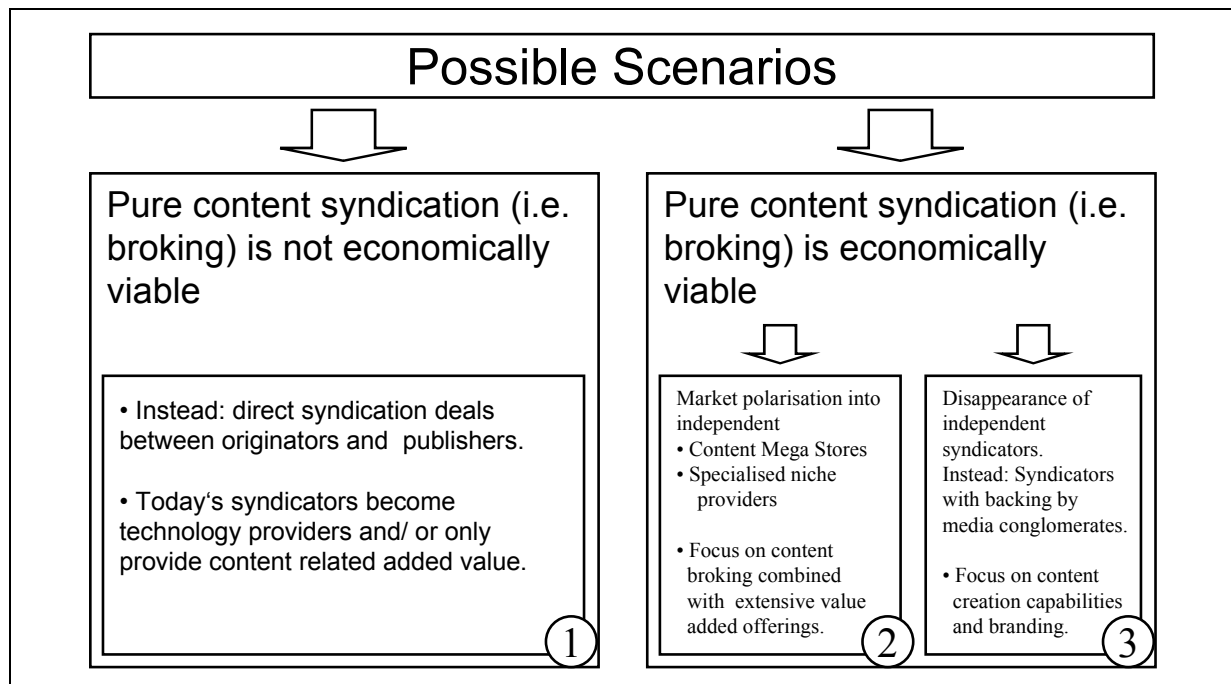


Figure 3.3.3/1: Possible scenarios for the future content syndication market

Scenario 1

The main driving power for this scenario will be the amount of provision a syndicator keeps from content sales. If it pays more for originators to establish content deals directly with publishers, the syndicator will be obsolete and might exploit its capabilities gained in technical content classification and distribution by licensing syndication technology, thus becoming a technology provider.

Scenario 2

If content syndicators can work efficiently and generate substantial value for originators and publishers, they can persist as stand alone businesses, serving either the mass market with vast amounts of general interest commodity content or concentrating on niches providing special interest individualised content. In both cases the broking function alone won't provide sufficient value, wherefore substantial value adding functions (consulting, technological support, establishment of standards, ...) have to be offered.

Scenario 3

If it shows that syndicators cannot persist independently from media conglomerates because customers primarily focus on brand names instead of broad independent offerings and syndicators need easier access to content archives and creation capabilities, they will enter alliances with established media companies or become their subsidiaries. This comes close to

scenario 1, putting content syndicators close to the position of a media conglomerates' sales force.

It will be subject of further research which one of these scenarios is most likely to occur and if different scenarios might apply to different content- or media types.

A first evidence in favour of scenario 1 is given by the fact that shortly before this case study was finished, business media, one of the syndicators surveyed, was closed by the owner Blue C for reasons of unprofitability of the business model¹⁰⁹. As stated by the managing director of Blue C, the content syndication service has not been as much demanded by customers as anticipated. business media's technology was far more successful than it's content and is now marketed by Blue C. Another syndicator surveyed in this case study, instantContent, has recently announced a cooperation with Freenet, a subsidiary of MobilCom, denoting the presumed consolidation of the content syndication market¹¹⁰.

Appendix

Interview partners

	Interview Partner	Position
Business media	Steffen Römer	Director Sales
Cocomore	n/a. (written reply)	n/a.
Contara	Gudrun Wiedmann	Chief business development manager
Contonomy	Georg Puchner	CEO
InstantContent	Christian Straub	CEO
iSyndicate Europe	Johannes Steegmann	Senior Manager Alliances
Profact Web Content	Achim Imlau	Chief editor
Tanto	Tanja Wallrabenstein	Product development / marketing

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