



SHOREVIEWS

Content Industry Outlook 2006: Investing in Users

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SCI200601 - VERSION 1.1

11 June 2006

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1. REPORT PROFILE

FOCUS

An overview of major trends in the content industry in 2006, as seen by senior analysts in the Shore network.

AUDIENCE

Buyers, sellers and facilitators of content and the technologies that enable its value in individual and institutional environments. Executives in the community of vendors creating content services and technology services will be especially interested to understand how Shore's network of senior industry analysts view both broad content industry issues affecting their marketing and product development in 2006.

CONTENT

Insights into general content industry trends and specific forecasts for major content industry sectors. Shore President John Blossom highlights how "Investing in Users" will dominate the content industry in 2006, along with specific views from Shore analysts on business database publishers, business journal and magazine publishers, scientific, technical and medical (STM) publishers, financial publishers, online ad-supported content, eBooks, library resources, user-generated media sources such as weblogs, search engines, content publishing technologies and intellectual property rights management, with recommendations for buyers, sellers and facilitators of content and related technologies on key strategic positioning for 2006.

USE

An overview of Shore's latest outlook on the content industry and an introduction to the resources available from Shore. Those needing a feeling for the range of outlooks available from the Shore network of leading industry analysts will find both immediately useful insights and an understanding of the areas in which specific analysts can be of use to them.

2. EXECUTIVE SUMMARY

If 2005 was the year that forced publishers, aggregators and content technology companies to come to grips with thriving new business models for content, 2006 is going to be the year in which these new models will need far greater investment in infrastructure and in new ways of publishing and marketing to tailor their services to increasingly sophisticated users untethered from many traditional content sources, distribution channels and platforms. Shore sees four key areas where investing in users will be most active: **packaging, platform, premium and personalization**. These themes will play out in a global marketplace for content that is developing local and localized sources to bring content closer to user's personal needs than ever before. Established content services providers will begin to learn how to adapt the strength of traditional content marketing models to a wider range of sources, including user-generated media and content aggregated via search technologies and archiving services.

This ShoreViews report provides an overview of Shore's major themes for the content industry in 2006 from Shore President John Blossom, followed by a sampling of how other senior analysts in the Shore network view the content industry's evolution in 2006. As you will see there are many different ways of viewing the future of the content industry.

3. 2005: THE YEAR IN REVIEW

3.1 The Big Points

As 2005 fades into the distance let's reflect for a moment on a year that fulfilled Shore's *Outlook 2005* vision of delivering new "models for success" that began to shake the publishing and content technology industry into a full transformation of its focus and methods. It was in some ways the first year in which the content industry really began to view itself as a distinct combined entity instead of separate traditional and "new media" camps. The key factors that surfaced in 2005 included:

- Many media and publishing services enjoyed strong profits in 2005, but oftentimes they came at the price of cutting into editorial and management staffs while investments in infrastructure and new products were held to a minimum. At the same time the strongest online players such as Google and Yahoo were investing heavily in new products and technologies, challenging traditional publishers and aggregators to keep up.
- User-generated media surged into the spotlight as weblogs, wikis, social networking and social bookmarking services delivered both original and edited content through more sites on the Web than ever before.
- No longer were publishers of print publications viewing online outlets as separate experiments to provide ancillary revenues: clearly the Web and mobile electronic channels are both the present and the future of growth strategies for most journals, newspapers, books and magazines reaching both broad and focused audiences.
- We saw music publishing, radio and television being usurped by satellite broadcasts, downloads and online "podcasts" that now challenge their producers to think about how to deliver products on more platforms through more channels in more monetization models than ever before.
- Content producers that were "born on the Web" found themselves developing print publications and print ad sales channels to leverage their online strengths in new markets, even as major portals were trying to corral online distribution deals for premium content from publishers and aggregators of print-based content.
- Major publishers and aggregators of professionally-oriented content found themselves pushing ever more integrated into content technology solutions as both key integration platforms and key components of their own revenue strategies.
- Content technology providers found themselves increasingly in the thick of creating content value that draws revenues away from traditional publishers and aggregators. Using open source software and APIs, widely adapted standards such as XML and easily accessed content a flurry of new content services were aggregating content on the fly to meet a wide variety of ongoing and ad hoc needs.

2005 was very much the year in which all of these elements began to merge into combined and intertwining business models that make content what Shore has defined it as all along: ***information and experiences created by individuals, institutions and technologies to benefit audiences in venues that they value.***

3.2 The Big Winners: The Users

In the middle of it all was one key player. Google, you say? Oh yes, Google was a key factor in so many ways that helped to shape both professional and personal content consumption with remarkably innovative approaches to content creation and organization. Yahoo, Microsoft, Apple? Sure, all important in their own right and major shapers of the content landscape. No, the key emerging factor in 2005 was the user, the individuals and institutions who are now the leading publishers of content that draw audiences to them as much as they are drawn to others' content. Equipped with increasingly affordable publishing technologies to create and consume content on a multiplicity of electronic platforms, it's the users who are driving content value in the marketplace. With a new weblog being created every second according to the Technorati weblog search service and user-generated media outlets creating far more new value in the content marketplace than any established content producer, 2005 was the year in which the Web really began to listen to itself and in which traditional content producers learned that they have no choice but to be a part of the conversation.

The trend towards capturing the value of user-generated content in many different venues played out in the shape of the big deals of 2005. While the early part of the year was dominated by merger and acquisition specialists helping to consolidate major magazine portfolios, by the latter part of the year the focus was on deals such as AOL's acquisition of Weblogs, Inc., NewsCorp's acquisition of social networking service MySpace.com and The New York Times' acquisition of docent-edited About.com. While Wikipedia's mistakes drew criticism about the quality of user-generated content the clear picture that's emerging step by step in the content industry is that the audience considers themselves the experts as much as any central authority when trying to find the answers to pressing needs. These new authorities may stumble a bit more along the way to their broadening successes, but when they can afford to speak to the world for little more than the cost of a bit of electricity the individuals and institutions equipped with powerful and affordable publishing technologies are going to continue to speak more and more effectively to their audiences – with or without the help of professional publishers.

3.3 The Big Losers: Companies with Inflexible Business Models

Certainly many of the big headlines on the down side were posted by newspapers and other mainstream media companies who were losing revenues left and right to new online upstarts such as the Craigslist classified ad service and webloggers such as The Huffington Post that brought us new ways to aggregate news, entertainment and advertising online. But it would be unfair to characterize the losers by whole categories, for the losses had less to do with categories and more to do with the aggressiveness of companies in those categories to move to a mixture of business models that could capture effectively how people use and pay for content in online venues. Underscoring the problems arising with business models is the continuing presence of suppliers who consider "free" content to be an essential part of their business models. Be it open-source publishing technologies, user-edited Wikipedia, social bookmarking services such as del.icio.us or corporate Web sites equipped with powerful content publishing systems that allow them to repurpose internal content for external audiences, traditional publishers of all stripes are challenged by new sources of content that don't follow the usual paths towards creating and cashing in on their content's value.

3.4 Key Market Trends by Sector in 2005

Key trends in 2005 that focused on the need to invest in meeting users' needs at the point of need included:

- In **institutional markets** the emergence of Software as a Service (SaaS) capabilities and the increasing sophistication and usability of portals for the Web and intranets has created an environment in which the conversation has to be brought to very specific contexts in a user's workflow, oftentimes workflows not owned by a content producer but needing more than just a feed of data and text. Major publishers and aggregators wrestled with how to reach an audience that relies less and less on traditional corporate and institutional library resources and found themselves searching out more channels than ever to reach the individuals in major institutions who are more willing and able than ever to purchase content on a just-in-time basis.
- In **scholarly publishing** traditional suppliers were challenged on two fronts. The movement towards Open Access publishing that is allowing more journals to be made available to users for free via the Web and untethered more publishers and aggregators from reliable streams of subscription content. At the same time Google's projects to increase online access to scholarly journals and books have prompted scholarly publishers to consider how they can get audiences to trust their brands more than the brands of major search engines. With major government-backed initiatives under way to provide more efficient online publishing and upstart Wikipedia providing new models for peer-review publishing the scholarly publishing community has its work cut out for itself to keep up with users in 2006.
- In **business media** a year of shuffling media companies and titles from one owner to another failed to conceal the migration of users from traditional magazines to more broadly defined business media services that rely less on the virtues of print-oriented marketing and more on the power of rich media and online lead generation. The TechTarget model of stabling highly focused topic sites into a common lead generation framework was supplemented by the launch of a complementary print publication that emphasized the presence of online content as the premier media for defining high-value relationships with users that can be supplemented by well-targeted print publications. The emerging dominance of search engines as marketing tools continued to challenge magazine, database and directory publishers as users gravitated to new forms of authoritative content that met their business needs.
- In **general media** 2005 was the year that users seemed to drift away permanently from many well-established channels and hooked into online and mobile options. The newspaper trade was shelled by a barrage of poor earnings reports due to increasing online competition for the eyeballs of users, prompting wide layoffs and selloffs, as The New York Times purchased About.com and the Wall Street Journal picked up Marketwatch.com to gain more online ad viewers and more product depth. Consumer magazines were very soft except for the ones closest to supermarket checkout lanes, as users find expertise and community around their favorite topics online from user-generated media and major online portals. Television moved to develop audiences online and on mobile platforms via streaming media as users developed their own video channels via weblogs and online posting services. Radio encountered stiff competition from music downloads, podcasts and the emergence of

subscription satellite radio as more user-focused alternatives to traditional broadcasting outlets. Movie producers pushed towards same-day releases of DVDs as entertainment at the users' convenience overtook theatre releases as a revenue source.

- In **book publishing** Yahoo's Open Content Alliance emerged as a "publisher-friendly" alternative to Google's book scanning program, which was seen by some as pushing the envelope of copyright law. But while scanning poses some issues for fringe revenues the real question for book publishers was how to package content more effectively for users that have gravitated to online markets. Amazon joined the likes of Knovel and Safari Bookshelf providing commercial access to books by the chapter while eBooks became a standard fixture in many library systems, providing more user-friendly solutions for book readers who use books on mobile devices and other electronic platforms.
- In **content technologies** search engines appear to have peaked in enterprise content solutions as the be-all, end-all solutions for organizing structured and unstructured content sources. For some technology providers the solution has been to develop a broad range of OEM and partnering relationships to fuel rapid growth, a strategy that paid off handsomely for companies such as FAST. For others the solution has been to consolidate with partners that offer a broader array of niche solutions that can be fabricated into enterprise-wide sales (Autonomy acquires Verity) or focused on more complete solutions for specific audiences (Inxight acquires federated search assets of Intelliseek). But the real winners in search were those such as Endeca and MuseGlobal, which could provide more relevant and user-friendly content organization within search results, and online services such as Answers.com, which could bypass the search process altogether and bring users to a wide array of prepackaged content sources.

4. OUTLOOK 2006: INVESTING IN USERS

We see **investing in users** as the key focus for content creators and service providers in 2006. After a year of soul-searching on business models and firing up for key acquisitions the content industry is poised to turn its focus outwards towards the users who both consume and generate content more effectively and efficiently than ever before. This focus will consume a great deal of attention in enterprise content markets as well, where content vendors must adapt their offerings to highly sophisticated platforms and sophisticated users who are willing to find and consume content wherever it makes their professional lives easier. While user-generated content outlets and tools will certainly continue to heat up as media properties, publishers across the board will be pouring funding and innovative thinking into developing products in 2006 that leverage their relationships with their audiences in a wealth of highly focused venues. Those relationships will be built on an exploding array of virtual and physical platforms that intertwine personal and professional needs for content, complicating both licensing and relationship management issues.

4.1 The Four "P"s: Packaging, Platform, Premium and Personalization

In the process of investing in users publishers, aggregators and technology providers will be focusing on four key areas in developing more efficient and effective marketing

relationships with their audiences – areas of focus that we have labeled the "**four Ps**" for 2006:

- **Packaging.** Packaging content for optimal search engine placement and performance was an important key to profitable electronic publishing in the early 2000s, but 2006 will find publishers and content technology companies moving towards more effective contexts in which to organize and monetize content usefully. The advent of Google Base as a way for publishers to push metadata and content to Google rather than to have to make a search engine go looking for fresh content points to the emerging importance of packaging quality content for greater "findability" in an "always on" publishing environment. This means greater investments in indexing and metadata to make the value of content clearly understood by users in whatever environment it appears - and more investment in value-add services that provide effective aggregation and answers rather than mere search results. If every page is a home page on the Web then every object that can be found on the Web must be ready to be packaged for consumption via whatever platform or service the user wants it.
- **Platform.** The platforms emerging for publishing and using content in 2006 will be both far more diverse and far more focused on what individuals and institutions need to do as both publishers and users of content. Software as a Service (SaaS) components and easily configured Web services and feeds will make their way into more environments in 2006 used by individuals and institutions. We'll see less investment in the general-purpose PC and more investment in open and portable standards-based virtual platforms that can easily adapt to a wider array of user content appliances. Browsers and browser-based components offering sophisticated and productive user experiences will flourish while the PC will start to become a graphics and storage engine with fewer and fewer native publishing tools. The raw streams of content flowing from weblogs and other user-generated media will be absorbed rapidly into major portals and supplemented by more sophisticated affordable publishing platforms that will allow both individuals and institutions to be more effective and profitable publishers with or without major publishing partners.
- **Premium.** Even as a proliferation of user-generated media and open archives of books and other newly digitized materials challenges the value of content produced by mainstream publishers there will be greater investment in 2006 in ways to accommodate both open access to content and value-add levels of content that require subscriptions or other premium access schemes. The legal and convenient downloading, sharing and repurposing of digital content by users will challenge publishers and distributors in 2006 to protect both their licensing rights and valuable relationships with empowered users in personal and professional environments. As Microsoft's Vista operating system is released more premium publishers will begin to think seriously about how they are going to define and manage premium content properties via digital rights management - and recognize that platform-independent DRM solutions are going to be a must if they are to avoid having their margins choked out by technology companies with their own interests in mind.
- **Personalization.** 2006 will see an explosion of services aimed at capitalizing on more personalized and localized publications and publishing for users. Rising demand for online ads will raise rates significantly, placing more pressure on

advertisers to maximize return on ad investments from each potential client via highly targeted pitches, placements and ecommerce. Localizing the value of content will be a key part of personalization. Google's ad-driven wireless broadband network that will serve up ads based on both a user's profile and physical location will be but one example of understanding what your users need in their current real-world context. Localizing content for more international markets through increased use of multi-lingual content and more market-specific content packaging and editorial focus will become high priorities for many major publishers. Print publications and the book trades will explore new avenues to profitability, focusing on highly targeted and personalized distribution to ever more elite audiences.

If the wheeling and dealing of content companies in 2005 left you wondering what could happen next, hang on to your hats. In chasing the virtues in the four "Ps" of 2006 corporations and venture capitalists are going to be having a great time throwing money at a rapidly changing marketplace. But unlike 2005 the deals of 2006 are far more likely to result in radical realignments of publishing resources than many of the high-flying portfolio balancing acts witnessed earlier this year. Networking and technology companies will be chasing aggregators that are chasing independent publishers, with each vying to see who can realign their business models most effectively. In the battle to invest in these realignments investors need to focus on what's creating real value in the eyes of users and not get too trigger-happy about every little twist that might look hot for a moment or two. There will be a lot of misdirected investing in content in 2006, but by focusing on the four "Ps" with the user in mind many large, small and micro investors will be raising their glasses quite high by this time next year.

4.2 Applying the Four "P"s of Content in 2006: How to Invest in Users

If the four "P"s of content are going to dominate our thinking in the content in 2006, how will we be spending our time in applying them to investing in users? Here are a few of the key areas in which content publishers and services providers will need to "get it" to succeed in 2006:

- **Getting it where and when users need it** – 2006 will be the year in which cross-platform mobility for content begins to take center stage. This will be a factor not just for mobile platforms but for all digital platforms and appliances. While subscription and premium "choke points" will continue to have a strong presence the industry will be moving more rapidly in 2006 towards the free flow of content to "use points" at which rights management and licensing software can expose premium products and services. With distribution increasingly a commodity and a given for many publishing models, monetization will focus on getting the right content to the right context with or without distribution control. While this certainly means working closely with search engines and enterprise infrastructure providers it also means that content licensing through specific distribution partners will become less important than developing end-user licensing relationships through more flexible payment models. The "when" of content will also continue to challenge content publishers and distributors. The rise of real-time publishing and distribution as a norm rather than an exception has changed not only content sectors such as news and financial publishing but all publishers that must compete with user-publishers and technology providers who are able to identify the most important new content faster than ever before. Being able to maintain quality content in an era of real-time expectations will challenge publishers as never before in 2006.

- **Getting it with a personal touch** – While the era of mass media is far from over, 2006 demands that content providers become far more adept at getting content in the right personal context. Desktop personalization options, portals and concierge-like software tools that scour private, public and enterprise resources for content that meets an individual's needs will take center stage in 2006. The rise of GoogleNet will allow advertisers and services providers to relate their capabilities to users on the go as never before, challenging these suppliers to consider what it means to create value for users in such a one-to-one marketing environment. Online business publishers will continue to amplify their investments in lead-generation marketing, developing relationships with their suppliers in an increasingly sophisticated marketing model. User-generated media will continue to have a great deal of investment to create one-to-one relationships with content producers and consumers, creating new forms of marketable context that will put money in the pockets of both independent producers and major media properties trying to exploit them.
- **Getting it to give answers to real questions** – Search engines will be a given for most users as we move from a search-driven content economy to investing in an answers-driven content economy. Services such as Answers.com are going to introduce new technologies that will make it far easier for users to find authoritative answers to questions using more human-like questions, eliminating the need to “think like a machine.” More sophisticated deployments of taxonomies and the burgeoning presence of “folksonomies” will make it possible for content to surface in more meaningful contexts automatically. Being able to connect users with the right experts on a human level will draw investment in both online technologies such as conferencing and collaboration as well as more effective ways to network with peers in online and face-to-face venues. Aggregating predefined sets of quality content will continue to be a focus for many content providers but getting the right content with or without traditional licensing deals will challenge content licensors to allow their content to flow into new context in which users want answers as effortlessly as possible.
- **Getting it in usable forms** – Usability and content design will be a point of significant investment in 2006 to ensure that content has not just the right words, sounds and pictures but usability becomes part of the content experience that keeps users happy. That does not necessarily translate into huge technology investments: user-generated media have thrived on simple and highly useful tools that don't strain the senses or the pocketbook and provide authors such as webloggers the ability to provide editorial capabilities for very focused audiences. On the technology side natural language processing and speech recognition will start to move from faddish experimentation to more mainstream solutions. The Software as a Service (SaaS) movement will make it easier than ever for users and enterprises to implement content services through online and intranet portals. Support for local languages will increase in importance and investment as content gears up for increasingly global audiences.
- **Getting it in the right packaging.** If 2005 was the high point of any Web page being a home page found in searches, 2006 will see a migration towards more effective packaging of content in digital and physical formats that gets onpassed in more personalized distribution channels. Think of Google Widgets used in their personalized online pages as a paradigm for the intersection of content and technology that is easily developed in to user-friendly packaging that includes both content and functionality. Multimedia will be a key component in many of those

packages, as well. As new services such as Google Base and Alexa Web Crawl make it easier than ever to repackage the world's content into more usable forms the repurposing of existing content into new services will move beyond user-generated "mashups" into far more sophisticated amalgams and full-blown services.

- **Getting it where the brand resonates** – If you got real tired of hearing about "content in context" in 2005 then break out your ear plugs – it's far from over. There will be a handful of destination portals that will resonate with any given audience, but in general content brands need to be build in 2006 around users who can experience your brand in a wide variety of venues. Social bookmarking tools are but one example of emerging communal technologies that make it possible for brands to resonate in communities of users who provide endorsement value that cannot be packaged easily by traditional aggregators. Publishers will begin to realize that a content brand is not a collection, but rather what you DO with a collection in a trusted context. The "themed networks" of weblogs made available via Gawker, Weblogs, Inc. and Pajamas Media point to brand-building via looser confederations of content aggregation that provide for the flexible assembly of valuable content assets by producers, editors and community members.
- **Getting it in legal forms** – 2006 will see major showdowns in U.S., European and Asian courtrooms over the limits of intellectual property rights in electronic environments. In spite of enormous pressure by publishers to have those showdowns come down on the side of tight IP controls the majority of rulings are likely to favor fair use provisions that will allow major search engines and mashups to avoid claims of derivative works infringements on copyright laws. This will place more pressure on publishers to enforce their rights through explicit agreements and to invest in technology responses that allow for both exposure via search engines and the preservation of access rights for premium content. Digital Rights Management standards, long back-shelved in favor of proprietary solutions or no solutions, will become very appealing to publishers in 2006, especially as the introduction of DRM components via Microsoft's Windows Vista operating system make it clear that publishers can either own a cross-platform DRM solution or be owned by a multitude of platform-specific solutions that will slow down their growth.
- **Getting it at the right price** – Content licensing will still rely on large bundles in many instances but the trend towards unbundling of content licenses and towards "just-in-time" content purchases by individuals in personal and professional roles is going to accelerate in 2006. Content will be to be priced to the opportunity that engenders the demand("value pricing"), or content may be found increasingly via public venues such as libraries with online access centers that will make content available on a subsidized basis. Being able to find new sources of subsidization for content purchasing and licensing will be an important theme for meeting the needs of users more cost-effectively, even as tools to facilitate content relicensing and reselling rise become more important factors as publishers move towards repurposable digital content objects.
- **Getting it made cost-effectively** – More mainstream publishers, especially those relying on print ad revenues, will be cutting back on core editorial staffs and outsourcing editorial functions to India to control fixed costs in content production, but this will not be the end of professional journalism or database production as we know it today. Instead these cost savings will be used by many to focus native and networked editorial resources to focus on user needs more effectively in venues that users value. Outsourced content production in India is being paralleled by an extraordinary surge in their native content industry, setting the stage for a new

generation of Indian-initiated content services in English and other languages that will begin to find international appeal. User-generated content will provide tremendous value with drastically reduced production costs and Web mining technologies will move from the recesses of enterprises and governments to a broader array of full-blown electronic services for individuals and institutions.

5. MAJOR TRENDS IN THE SHORE CONTENT MARKET MODEL™

To quantify and qualify these major trends in more detail it helps to provide a concrete framework in which to judge their impact. Shore's **Content Market Model™** provides a taxonomy of more than 100 major attributes that define the creation and use of content by individuals and institutions in today's content marketplace within eight major elements of content creation, dissemination and use. The eight major elements of the model are:

- **Creators** – The individuals, institutions and technologies used to create content for personal or professional consumption.
- **Types** – The general types of personal and professional content created for the marketplace.
- **Business Models** – The general activities undertaken to bring content to the marketplace.
- **Monetization Models** – The methods used to create an exchange of value or funds via content.
- **Markets** – The personal and professional market sectors in which content is created, sold and used.
- **Distribution Channels** – The general types of physical and virtual channels through which content is disseminated to its audiences.
- **Platforms** – The systems, devices and physical media through which content is consumed by its audiences via the implementers who make it available.
- **Users** – The individuals and institutions who acquire, integrate and use content for personal and professional purposes.

The following table summarizes the market attributes that are likely to show the most activity and least activity in 2006 within the Shore Content Market Model™:

Shore Content Market Model™ Category	What's Hot	What's Not
Creators	<ul style="list-style-type: none"> ▪ Non-professional authors, artists & contributors ▪ Business process managers & participants ▪ Transaction Facilitators & Participants ▪ Value-Add processors 	<ul style="list-style-type: none"> ▪ Journalists ▪ Associations and Non-Profit Organizations ▪ Market Analysts & Researchers
Types	<ul style="list-style-type: none"> ▪ User-Generated Media ▪ Marketing/Advertising ▪ Personal Reference & Research ▪ Personal Media & Entertainment (Online & Wireless) ▪ Business Reference & Research ▪ Non-Financial Markets 	<ul style="list-style-type: none"> ▪ Financial Markets ▪ Business & Trade Media (Print) ▪ Personal Media & Entertainment (Print, Radio & Cable)
Business Models	<ul style="list-style-type: none"> ▪ Discovery Tools & Services ▪ Indexers & Contextualizers ▪ Producer/Publishers (Online) ▪ Publishing Tools & Services ▪ Distributors (Non-Subscription) 	<ul style="list-style-type: none"> ▪ License Management ▪ Venue Management ▪ Distributors (Subscription)
Monetization Models	<ul style="list-style-type: none"> ▪ Ad-Supported ▪ Subscription (Online & Wireless) ▪ Product & Services Sales ▪ Non-Profit/Government 	<ul style="list-style-type: none"> ▪ Redistribution Fees ▪ Software Sales ▪ Distribution/Licensing Fees
Markets	<ul style="list-style-type: none"> ▪ Biomedical Products & Services ▪ Government/Politics ▪ Consumer Entertainment & Lifestyle ▪ News, Media & Marketing 	<ul style="list-style-type: none"> ▪ Banking, Credit & Insurance ▪ Investments & Securities ▪ Business Software & Systems
Distribution Channels	<ul style="list-style-type: none"> ▪ Public Networks – Direct to Client ▪ Search Engines & Portals ▪ Syndicators (Multimedia) 	<ul style="list-style-type: none"> ▪ Retail Outlets (Storefronts) ▪ Postal/Delivery Services
Platforms	<ul style="list-style-type: none"> ▪ Mobile Appliances ▪ Digital Objects (Web Services, DRM-enabled media) ▪ Web infrastructure ▪ Enterprise infrastructure 	<ul style="list-style-type: none"> ▪ Print ▪ Fixed Electronic Media
Users	<ul style="list-style-type: none"> ▪ Sales/Business Development ▪ Business Intelligence ▪ Consumer/Personal ▪ Research & Development 	<ul style="list-style-type: none"> ▪ Information Technology ▪ Finance ▪ Production

Table 1. Major Trends in the Shore Content Market Model™

6. TRENDS FROM SHORE'S ANALYSTS

That's the view on 2006 from our consensus stance, but how do we see things as individuals within the Shore team? The following summaries from our key team contributors focus on the areas of expertise that each of us bring to Shore.

6.1 Jean Bedord: Helping Users Find the Right Information on Demand



Role: Consultant, Senior Analyst

Areas of Focus: Information discovery, e-books and e-journals, libraries, distance education, vertical search, biomedical content, licensing and syndication, keyword analytics, business intelligence

Key Trends: New tools to improve findability of authoritative content, discovery tools and analytics key to understanding user behavior, distance education drives growth in electronic product development

Companies to Watch: OCLC, Zinio, Groxis

As 2005 ends, users are frustrated by sheer number of irrelevant results and lack of answers, as too much authoritative and relevant content simply disappears into the morass of web searches. This leads to business opportunities for those organizations embracing new technologies and new models of information retrieval. In 2006 improving findability for information seekers will be a major force driving technology for the open web, devices for access and the creators of content:

- Use of categorization schemes will increase, regardless of whether these are folksonomies, ontologies or the classic taxonomies, aka thesauri, and controlled vocabulary. A new generation of software developers will rediscover their virtues, and then apply them in innovative ways, such as Groxis has done with visualization. As the volume of video and audio content becomes downloadable through web services onto the latest high tech gadget, the limitations of tagging and folksonomies are glaringly obvious. Effective finding of this content requires assigning standard terms as metadata (start with basics such as time, speaker, and source!), and that structure will come largely from established organizations. Digital libraries have quietly been digitizing content for years, and the pace will accelerate with the decrease in technology conversion costs, and the momentum created by Google Print and other archival projects.
- More sophisticated discovery tools will evolve in 2006. Words used for searching, aka keywords, aka search terms are critical, not just for advertising purposes, but for company and product positioning. Analytics and categorization will become key for online publishers trying to understand user behavior and the impact of technology on their markets. The simple search box brought search awareness to a wide audience, but now reaching that audience is the challenge as search technology evolves! Specialized search tools, i.e. vertical search services, will increase rapidly to meet user needs. They already exist for travel and jobs, with the major search engines creating essentially separate depositories for news, blogs, books, audio and video, recognizing the differences in information architecture

- Distance education will be a significant driver in developing new electronic products for effective learning as the technology allows time and place shifting, opening the market to previously unreachable users. MBA students stationed at missile silos in Wyoming? No problem, given high speed internet access, with courses taught on BlackBoard, using e-books and other electronic materials. Medical practitioner continuing education during wintertime in Alaska? Try podcasts or streaming video to learn latest practices for health care. Does a programming team in India and the U.S. need the latest manuals for software patches delivered this week, with copyable code? Try the latest generation of e-books. Flexibility in content delivery will be the key, as learning styles and gadget preferences will vary, even for the same course. Mashups, aka multimedia delivery, aka rich data, enabled by new technology platforms can improve the learning experience for a new generation of tech savvy participants.

Understanding user needs and use of information in their environment, not the publisher driven concerns, will be key to prospering in 2006, and adapting to the onslaught of technical innovations. User choices of screen and speakers are a moving target, from PC to PDA to iPod to cell phone, so interoperable formats and standards will be major operational aspects. Publishers who adapt to their audience by providing content in multiple formats with reasonable DRM restrictions, reasonable pricing, and innovative packaging will flourish!

6.2 John Blossom: Getting Positioned for the Universal Channel



Role: President, Senior Analyst

Areas of Focus: Media, business information, financial content, content technologies

Key Trends: The Internet becomes the Universal Channel, User-Generated Media comes of age, business information merges more media sources, transaction venues attract new content monetization models, DRM takes off

Companies to Watch: FAST Search & Transfer, Hoover's, Zoominfo, Jigsaw, Newsvine, Answers.com, Alexa Web Crawl, Google

While some niches of publishing such as journals and magazines targeted to high-end business and consumer audiences will do well with print products in 2006, most sectors of the content industry will find 2006 to be a year in which the need to have Web-first strategies for product development and marketing will be inescapable. Audio, video, telephony and other forms of content are also being swept up into the universal distribution medium of the Internet, creating a Universal Channel for all forms of human communication. As Google and other providers introduce free access to broadband wireless communications in 2006, the universality of Web communications will take on new meaning. Broadband wireless will begin to support contextual advertising revenues based on free Web access, forming great challenges to existing broadcast media models and mobile telephony services. This will be the beginning of the end for mass-market channel strategies based on exclusive control of a specific electronic distribution medium.

The emergence of the Universal Channel is accelerating the need for publishers to create content in forms that are easily monetized via general search engines and user-managed content collection tools. Content aggregation subscription services that focus too heavily on proprietary search and/or distribution as a primary product benefit will find 2006 to be the year in which purchasers begin to sign off permanently from these value propositions. Aggregation services that focus on solving specific problems for focused business and consumer audiences using whatever high-quality content solves those problems will continue to thrive and to grow but will be challenged by general search services, enterprise search engines and enterprise software services that compete for the same desktops with broader arrays of content. Such user-focused aggregators will do fine as subscription services, but mixed models that combine subscription, advertising and sales of individual digital works will become more prevalent as the value of these services adapt to the variety of relationships that a user requires from a supplier. This will accelerate the development and introduction of digital rights management controls that allow both protection of publishers' rights and the ability of content purchasers to add value to content that can be onpassed to other users.

User-generated media outlets are snatching up headlines and investment monies at a rapid pace, but while self-funding individual sites will continue to pop up like new hit records few portals focusing on user-generated media will prosper that have not already put down significant roots. Those that manage to collect high-quality content generated and maintained by committed users will do well, but only when they identify and serve well-defined user needs: look-alike aggregation and syndication plays will begin to fade. The weblog aggregation model will continue to grow but soon it will not be readily distinguishable from mainstream folios of magazine titles. The collection and marketing of weblogs will become less a toy of self-proclaimed online experts and more a venue for people with the ability to develop and market editorial talent that appeals to specific audiences.

One of the key venues to attract valuable content in 2006 will be portals and services that support transactions. The blending of price discovery services, auction markets and content that supports transaction decision-making will accelerate in 2006, moving away from all-subscription services and advertising services to services that allow publishers to recognize content's value as a part of an individual transaction process. Will it be eBay for content or content for eBay? Increasingly the difference will be harder to distinguish. The move towards The New Aggregation will continue to favor suppliers that specialize in specific aspects of content aggregation services. Enterprise search engines will be fewer but more competent and emerging search services that make it easier to create aggregation on the fly from both online and enterprise archives will start to flourish.

While the exodus from print for many general publications will continue, the future of print will begin to take shape in 2006 as print-on-demand services begin to take on broader appeal. Book publishers will begin to map out strategies to become less the printers of major works and more the marketers of individual authors through a variety of new and existing channels that offer effective return on their appeal and intellectual property. The importance of packaging book content as digital works will accelerate, prompting many publishers to rethink how to bring their products to market.

6.3 Patricia Joseph: Starting with *The Customer's Willingness to Pay*



Role: Consultant, Senior Analyst

Areas of Focus: Strategy and planning, Market research, Business development, Mergers, acquisitions, partnerships, Process improvement, New product development

Key Trends: Focusing on what audiences are willing to pay for. Embedding content in user processes, Finding the right value points for user-generated content.

Companies to Watch: Evalubase, VerticalSearch.com, GlobalSpec

2006 represents one more step away from the content world the way it was to the way it will be. For many content producers, the fundamental changes are happening too slowly. I don't know one company that is truly satisfied with their online delivery and distribution as it is. At the same time, the incremental changes--one more online capability, another version of a search engine, a smaller personal content delivery device--are happening too quickly. What is the leader of a content company to do when pressed for results yet only too aware of the slow pace of fundamental change?

Ongoing experimentation is a given. But how to hit that sales home run? The Web has delivered on its promises to deliver more content efficiently and to cut costs. The current challenge for content companies from The Wall Street Journal and The New York Times to the most modest business-to-business niche is on increasing revenue, still recovering from advertising losses and the competition of substitutes.

The smart content leader will not start with the revenue challenge, but end there. The more appropriate starting point is customer satisfaction and willingness to pay. Because customers have so many content choices, they are truly willing to pay for only a few. Merely partnering with a complementary service or adding some online feature in hopes that it will gain traction just isn't enough. To figure out what the few valuable services and features are, there will be a new emphasis on customer research and creating the optimal experience.

Research on customer needs and experience will be more important than ever this year: fielding qualitative and quantitative studies, poring over customer feedback, tracking customer behavior more carefully than before. To establish themselves as premium suppliers, companies will embed themselves in business and industry processes so tightly that they cannot be unlinked from the business and industry easily.

In addition, the limitations will be reached for certain formerly "wow" capabilities this year: user-generated content, universal search and the digitization of everything.

Adding Back People into the Equation

Adding back people becomes essential for certain information categories. Wikipedia's model proved to be great for scientific content and less so for personal background information. So an editor had to engage in the info-creating process to set things right.

Evalubase's Zagat-like assessment of information technology vendors and products combines the best of both worlds—honest customer feedback with careful screening to validate the expertise of the evaluator.

This year content producers will have to decide the best uses of user-generated content and how much editorial intervention is needed for their market and goals. At the same time, they will also have to draw a line between content and service. How much quality is added with the human touch and human interaction and how much are customers willing to pay for that extra value? There is no one answer. Each market will have different standards. A BizRate evaluation of a \$29.95 ice cream maker carries a different value than an Evalubase assessment of a \$4 million ERP system.

Search Challenges Publishers to Find their Place

While Google continues to refine search algorithms, GlobalSpec and other vertical search engines cut through the clutter for niche markets. While Google will continue to grow for the “I haven't got a clue” searches, search capabilities for businesses, professional services, and enthusiast niches will come into their own.

Business-to-business publishers still have an opportunity to take the lead but that window may be closing. Many established publishers are still trying to figure out the right model for merging online operations with traditional publishing operations. They are still thinking about inviting that Senior Information Technology professional to the top management table while born-on-the-web industry pros have the advantage. VerticalSearch.com promises to pick up the slack by aggregating content from business-to-business sites to create a meaningful library in a market.

To embed the most valuable content in the business of their end users will ensure long-term relationship is the challenge. Wolters-Kluwer, Reed Elsevier and other publishers with major technology components in their offerings seem to have picked up on that challenge while many other publishers with a more traditional approach to customer service are flailing.

Digitize This: The Impact of Scanning Hits Full Stride

While publishers gasped when Google issued its “digitize everything” goal, visions of continued prosperity danced in the heads of intellectual property attorneys across the land. We're still in the middle of deciding the legality of scanning everything and making it universally available, the economics of doing this and ultimately, the utility.

What's the Right Path for Growth or Exits?

Both media properties like Knight Ridder and information firms like VNU are being pressed to do more with the assets they have, appropriate to a maturing market. Investors are concerned about the future and the continuing deterioration of traditional business models. They perceive a threat more clearly than the opportunity, and valuations have suffered. The content industry giants have more of a challenge to answer the classic business school question, “What business are we in?” Is it printing newspapers or creating quality content? Is it fielding research OR helping to guide decision making for a specific market?

“What business are we in? is the big fundamental question that takes a long time to answer. When the railroad industry answered “railroads” instead of “transportation” to the question, their days were numbered. Will the content industry come up with the right answer in 2006? Stay tuned.

6.4 Jack McConville, CFA: Searching for Opportunity Without a Boom



Role: Consultant, Senior Analyst

Areas of Focus: Financial Information Markets, Financial Research

Key Trends: Financial market data access point counts remain flat overall, Major suppliers continue push to feeds, Watch out for new media-based entrants

Companies to Watch: Bloomberg, Reuters, Thomson, Google, Yahoo, Microsoft

The past dynamics of the market data vendor industry were simple: as markets expanded, users had no problem paying vendors for terminals and data. It was a cost of doing business. For their part, vendors made up new and more sophisticated ways of presenting data, or in the case of Reuters, developed trading capabilities on top of the data. That all came to a bruising end in April 2000 when the dot.com craze went the way of tulips in 1635 and modern-day business theory was introduced to an industry that had made up its own rules.

The US market (a proxy for the global financial services business) came in for some tough times. Revenue peaked in 2000 at \$331 billion then declined for the next three years to \$213 billion an aggregate drop of 38 percent. Revenue recovered in each of the next two years but at the end of 2005 revenue was remained one percent below the 2000 peak. The Securities Industry Association (SIA) is forecasting a 14 percent increase in revenue in 2006 to \$371 billion.

US Securities Industry Revenue & Profit				
	Gross Revenue	Percent Change	Pretax Income	Percent Change
(US\$ in billions)				
2006 F	\$ 370.8	13.5%	\$ 25.6	8.0%
2005 E	326.7	38.0%	23.7	14.5%
2004	236.7	11.3%	20.7	-14.1%
2003	212.7	-1.4%	24.1	99.2%
2002	215.7	-21.0%	12.1	-24.4%
2001	273.2	-17.5%	16.0	-49.4%
2000	331.1	29.0%	31.6	24.9%
1999	256.6	12.7%	25.3	67.5%
1998	227.6	--	15.1	--

Source: Securities Industry Association DataBank

The picture was somewhat different on the pretax profit side. Industry profits peaked in 2000 at \$32 billion. As revenue declined, pretax profits dropped 62 percent in the next two years to \$12 billion followed by three years of recovery. However, the SIA sees only \$26 billion in pretax profits in 2006, some 19 percent below the 2000 peak.

In our 2005 forecast, we said the major macro factors affecting both vendors and customers would continue to be tight in the investment banking, commercial banking and brokerage areas. That has eased a little, but the bitter taste of the past five years lingers. We think bank combinations will still exert downward pressure on access counts as post-merger duplicative positions are eliminated. Although there are fewer brokers around today versus last year and five years ago, mergers will have the same negative effect in that area of the market. Data feeds will continue to increase in importance. That should continue to make some existing accesses marginal. Brokers and bankers seem eager to invest in applications that take data feeds from vendors and exchanges and tailor them to the specific needs of high-profile in-house users. That marginalizes the value-added contributions by some vendors as they respond to customer's demands for a lower total cost of ownership. We maintain that vendors willing to adjust to the slightest hints of discontent by their customers will be winners; those that don't will be losers and will be marginalized.

Among the three principal market data vendors, Bloomberg is expected to be the revenue leader again in 2006, coming off its first fat revenue experience in 2005. Its Phat Pipe data feed will come out of the closet but there are no assurances it will produce incremental users and revenues or will just serve to protect the vendor's market share.

Reuters will come in second as it completes its Fast Forward program, which was designed to take £445 million out of its cost base. The Fast Forward initiatives also involved efforts to build the vendor's content, analytics, trading and messaging capabilities and to move its users to a single, scalable data distribution architecture based on Bridge technology. That's still the first order of the day. But, the user base erosion along with customer resentment over Reuters struggling efforts to be more responsive to service complaints continues to be an issue. The total cost of ownership continues to be an irritant to Reuters' customers.

Thomson Financial will continue its vigorous marketing efforts in promoting the Thomson ONE suite of products and applications. We think that by concentrating on selected market segments like investment banking, research and fixed income, Thomson Financial might be on the right track to attract new business. But, it plays at the low end of the value added pyramid. It has to move out of that role and move up.

Past business recoveries in the market data vendor business usually resulted in exuberant excesses as spending caps were lifted and the brokers and investment bankers went back to their merry old ways. That will not happen this time around. Caution will rule and excesses will be held in check by more cost conscious managers who think that the industry's problems have not gone away.

The wild card? We would not be surprised to see newer, larger, or more aggressive players like Microsoft, Google and Yahoo! make a move into the traditional market data arena. Look at Berkshire Hathaway's acquisition of BusinessWire as an indication that

major investors still believe strongly in the core value of information sources that support the financial industry.

6.5 Deb Wiley: Profiting from Processes and Procedures



Role: Consultant, Senior Analyst

Areas of Focus: Scientific and Scholarly Publishing, Digital Rights

Management, Knowledge Management

Key Trends: Aggregating, filtering, mining free content, Taxonomies and Tagging, Format-neutral Content, Digital Rights Management

Companies to Watch: eMeta, Intelliseek, Alacra, YAHOO!

Aggregating, filtering, mining free content

Start-ups like PubSub and Technorati (among others) have figured out how to aggregate and add value to free blog content. Users are becoming overwhelmed with the sheer number of blogs and the increasing amount of spam, and welcome the means to retrieve just the information they want, when they want it. Although the number of subscribers is growing rapidly, the challenge for these and other companies exploiting consumer-generated information is to figure out the right business model to make money from their efforts.

Ratings and review sites will remain hot and traditional publishers should watch them carefully. Companies like BizRate.com, TripAdvisor.com and Ratemyteachers.com have captured user opinions and monetized them. In spite of the lack of editorial controls (or perhaps because of it), users trust the opinions found here beyond what they would find in a traditional published source. Yet one traditional publisher, Consumer Reports has held its own in the world of free opinions, having recently announced its two millionth active paid subscriber to their online service. Why are they successful? Affiliates and trust. People have known and trusted the offline brand for 70 years and that trust extends into the online world. And working with affiliates like AOL, YAHOO! and others, has put their brand in front of millions of users.

Reputation mining is an important part of corporate intelligence and what better way than capturing the thoughts of a few million users. Intelliseek and others have tools to mine and analyze consumer-generated media such as discussion boards, forums, blogs, newsgroups and other online sources of opinion and experience, which they sell to companies wanting to keep abreast of the Internet “buzz” on their products and services.

Maybe this year the concept of a “Personal Media Aggregator”, software that will help a user find, track and decipher all sorts and formats of information will come to fruition. Similar to a personal portal, this software could be branded and marketed to specific communities of interest to create instant vertical portals. Ideally, it will enable users to collect, edit, share, and republish content to anyone, a scary thought for some in the content industry. But, with the correct digital rights management strategy, this could rapidly expand a publisher’s market.

Taxonomies and Tagging

Tagging will grow in importance but only if technology helps. Expect some play in this area from the Flickr and YAHOO! bunch. Tagging will be most useful when it is incorporated through a concordance to a standard taxonomy or ontology, so that users can search one word or phrase and retrieve similarly tagged items. Alacra is doing this for the paid content world, to help business users incorporate content from multiple suppliers into their own workflow. Properly implemented tagging helps in the rush to customize information products for the user, another key trend. Certainly those users with more money than time will pay for information that is just what they need, just when they want it.

Format-neutral Content

That old phrase, content in context rings more true than ever. A few publishers are starting to realize that they produce content, not just journals or books. Take a look at the Journal of Medical Practice Management, from Greenbranch Publishing. Besides publishing a traditional subscription-based print journal, they have a blog, RSS feeds, podcasts, an internet radio site, and they sell individual articles and books. Newspapers like the Atlanta Journal Constitution are providing localized content beyond what appears in the print edition of the paper, plus blogs, a mobile feed, RSS feed and more. These companies and others are realizing that the only advantage they have over some well-funded internet companies is that they have content. News has become a commodity, but personalized news, delivered and combined with other interesting content in a convenient format is something users will pay for. The problem is to discover just how much they will pay and how to control it. Which leads to the last key trend digital rights management.

Digital Rights Management

This will remain the big bugaboo. Serious errors by BMG and others in the music field will cause fall-out within the publishing industry. Look to companies like eMeta to provide sensible solutions, but more affordable solutions need to be designed for smaller players. As content companies digitize their entire warehouses, helped along by the likes of Google, YAHOO! and Microsoft, and users search this content, it becomes imperative that publishers determine the rights and fees they want associated with any given piece of content. And, what are the boundaries of that content? Is it a book? An article? A page? A paragraph? Random House's decision to offer a micropayments-by-the-page licensing model through Amazon.com is one small step. Publishers have been considering such business models for years and are only now beginning to act. If you want to sell more content, isn't making it discoverable a good idea? DRM should unlock new revenues by making your content more findable and accessible for those willing to pay.

7. CONCLUSION AND RECOMMENDATIONS

After several years of ground-breaking events in the content industry it would be tempting to call 2006 a transition year. But while many of the major trends that will shape

2006 are already well under way it's likely that there will be many farewells to old strategies what will define 2006 as a new watermark for the content industry. There will be little time to reflect on these transitions, though, as the march towards user-defined content value will be relentless. What is a major content services provider to do in this shifting landscape that favors users communicating as peers? Here are specific recommendations for content vendors, technology vendors and major institutional content purchasers to consider for this year.

7.1 Recommendations for Content Vendors

- **Don't assume that you know who your audiences are and how they relate to your content.** In today's shifting environment for publishing it's no longer enough to understand which segments to attack with which products and features. Your audiences and purchasers may look the same as ever at first glance but their attitudes towards content and how it's created, paid for and used are changing faster than you may want to acknowledge. The influence of online consumer media and user-generated media sources are amplifying this shift in attitudes, moving many long-established sources of premium content in professional circles towards dynamically evolving their content services and payment models in cooperation with their audiences, much as online software "betas" have done for more than a decade. Listening and responding to your audiences carefully on an ongoing basis through direct research and very careful analysis of usage patterns and user feedback is becoming an exercise that must be done with increasing frequency.

- **Focus quality efforts on the content that makes the most difference to your audiences.** While content quality still is the hallmark of premium publishing, the definition of content quality in audience's minds is not as easy to define as before. With the Web and the explosion of effective enterprise search facilities that combine internal and external content sources a quality publication or database finds its attributes being judged on a much different scale. Core content quality operations need to be maintained but being as agnostic as possible about what content sources need to be presented to an audience and where they're presented to fulfill a given need will enable you to think of your services in a far more profitable light. Looking for new kinds of partnerships to fuel this agnostic growth should be high on your calendar for 2006.

- **Look for cross-channel horizontal plays in aggregation as much as the vertical.** There is a great deal of buzz around vertical search this year. To be certain, there is a lot of content value that will be realized by services focused on specific audiences that aggregate text and multimedia services very effectively. But as electronic distribution wanes as a control point for publishing major content companies need to think about their ability to succeed across any number of horizontal aggregation services such as search engines and online archives as much as in any particular finished product. Building community around content will be one key horizontal play, but with scanning, peer-to-peer and digital rights management services making it far easier to assemble aggregation services anywhere the onus is on publishers to be ready to have their content pop up across any number of channels – with or without a product plan getting their content from point "A" to point "B". Start thinking of your content as little messages in a bottle that could pop up on any shore and find high value in the right hands.

7.2 Recommendations for Technology Vendors

- **The Web 2.0 movement holds great promise for providers that can move beyond the tech rhetoric.** There is about as much hype surrounding the so-called Web 2.0 movement as you can fit into a roomful of Pets.com sock puppies. Silicon Valley techs who had been smarting from the dot-com bubble burst have been gravitating towards user-generated media and hoping to define major plays out of a few snippets of code and a bit of online buzz. But while many are intent on catching the wave from a tech investment angle many of the best plays in Web 2.0 are either near-zero-investment ideas such as Craigslist that can grow organically with little help or shepherded by media veterans who have more than a sense of technology to guide them in their efforts. Just as many investors and tech leaders misunderstood the nature of content and publishing in the dot-com era and built technology that was ill-suited to the needs of audiences and advertisers many Web 2.0 plays are suffering from a lack of historical perspective on what makes content work for audiences. Make sure that you really understand the content angles of a play so that you avoid creating technology features in search of a marketplace that wants content products. .
- **Taxonomies, tagging and categorization will be hot, but focus on content partners that can help you exploit the heat in the most valuable contexts.** The emerging awareness of taxonomies and categorization tools is good news for many providers, but without the right marketing alliances don't expect customers to beat a path to your doorstep. As useful as these tools are few enterprises really understand how to implement them and fewer vendors are able to sell them effectively. The tool providers with the best marketing alliances will succeed in 2006, allowing their partners to provide an OEM-like relationship for their taxonomy and categorization capabilities within a framework that I.T. experts will be able to manage without too many details that will send them running away from the issues that need to be tackled for a fully successful implementation. User-generated tags that have been popular as standalone services may find their capabilities more valuable as part of an integrated content service that delivers more than streams of random headlines.
- **Search remains valuable but increasingly it's about what you can do with the content that you've found.** The consolidation in the marketplace for search products is as much about what needs to be done with content beyond search as it is about the relative maturity of search technologies. Search and information mining tools have become better at providing not just raw information but also surrounding that information with metadata, related content and XML-based content structure that combine to allow for a wide array of content packaging and repackaging options. Search technology providers serving enterprises and publishers need to focus more on using their search and data transformation technologies as the engine for creating and assembling full content solutions tailored to a specific audience's needs – including audiences of one. We'll see a lot more in 2006 about the answers economy in search, but hopefully we also see more about search as a the backbone of a new personalized publishing economy.

7.3 Recommendations for Institutions

- **Take advantage of evolving content purchasing options.** Managing information costs is always a balance between bulk purchasing and spot purchasing, but increasingly the services offered by publishers and content services providers are allowing "by-the-drink" content purchases to address specific on-demand needs. Subscription providers targeting large enterprise accounts are both challenged by pay-

per-view options and adding them to their arsenal of sales methods, but pay-per-view also opens up more opportunities to consider a wider array of targeted subscription database providers on new scales of cost efficiency.. It could be that a wider array of strategic buys for specific departments can provide richer content and functionality that meets needs more efficiently. New business models that encourage businesses to contribute their own content to business databases a new twist to both subscription and on-demand content acquisition, increasing the opportunities for institutions to leverage the value of their own content in exchange for access to external content updated by other similar firms. The ability to subscribe to database services on a per-seat basis via services such as Salesforce.com may also provide highly effective purchasing options that can tailor content consumption to very precise user needs without a lot of administrative and technology overhead. Whatever your business' profile it is worth considering a careful look at your content purchasing profile and think carefully before entering your next contract renewal period for subscription database content.

- **Leverage the power of federated search.** With enterprise Web portals becoming both affordable and effective thanks to advancing search and content management technologies the value of integrating premium content via internal search interfaces is increasing. Publishers and aggregators provide a great deal of value through pre-packaged, workflow-oriented portal products that integrate internal and external content, but in many instances you'll be better off just taking their taxonomies and making their subscription content available via your own internal interface rather than training users to become semi-experts in yet another search interface. Federated search and advanced search environments such as xQuery also offer the ability to bolt on any number of software tools on top of a federated search capability that can offer extremely high productivity using premium content mixed with internal sources. Now that many institutions are finally getting serious about search as a driver of content value the potential of federated search is going to change how content is purchased and used in many market segments.
- **Leverage the power of individual users as content searchers and collectors.** Just as enterprise search is starting to get ironed out the emergence of desktop search tools that allow users to search for content found on their own PCs, enterprise servers and the Web all from one interface are adding a new wrinkle to how valuable content is identified and collected. The good news is that users are self-empowered to find valuable content on their own than ever before: the bad news is that they are not necessarily any better at finding it because of these tools but when they do find it it sits out on their PCs. Make sure that your enterprise search plans take the power of desktop search into account, because oftentimes there will be premium content that users have downloaded that can be repurposed and/or relicensed very cost-effectively. .The challenge that will start to emerge in 2006 will be for enterprises to maximize the value of every click that a user makes to locate and use valuable content.

We hope that you've enjoyed this multi-faceted peek at the year 2006 from a Shore perspective. This is just a sampling of the outlooks and perspectives that we can put to use in your organization through our award-winning research and advisory services. Feel free to contact any of our analysts to get a more detailed understanding of how Shore's capabilities can be put to use for your plans for investing in users in 2006.

8. ABOUT THE AUTHORS



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Mr. Blossom's career spans more than twenty years of marketing, research, product management and development in advanced information and media venues, including major financial publishers and financial services companies (Citicorp, Quotron and for Reuters Holdings PLC), as well as earlier experience in broadcast media. Mr. Blossom served as a Vice President and Lead Analyst at Outsell, Inc., where he provided research and analysis coverage of content technologies and financial and corporate information markets for major corporate clients, and developed successful online ecommerce services for research reports. For his excellence in qualitative research, Mr. Blossom was recognized with the Vendor of the Year award by Standard & Poor's in 2001. Mr. Blossom founded Shore Communications Inc. in 1997, specializing in research and advisory services and strategic marketing consulting for publishers and consumers of content services. Mr. Blossom's engagements have included strategic marketing consulting for major corporations and startups that are using the Internet to position themselves in new and existing content markets. Mr. Blossom has developed numerous successful Web sites and online communities. His extensive global experience with the marketing and management of financial information services, including real-time datafeeds, established him as one of the thought leaders in this important market segment, leading to strategic assignments with the executive management team of Reuters Group PLC. Mr. Blossom was also a key player in a number of ground-breaking Internet-oriented initiatives at Reuters, including the introduction of content management services and a global effort to integrate Internet-based information suppliers into the mainstream Reuters information services environment.

In 1999, Mr. Blossom joined Waters Information Services as Director of Market Research, where he spearheaded the design, development and marketing of The Waters Survey, the first publicly published survey to collect highly detailed information on financial information product usage from financially oriented institutions in the United States. Based on in-depth interviews with over 900 institutions, and formed with input from senior executives from major financial information services companies, the Waters Survey uncovered major new trends in the financial information services marketplace. The rise of Internet-based financial information services was key among those findings, and the size of the marketplace itself was proven to be more than twice previous industry estimates.

Mr. Blossom has been interviewed frequently by the business press and has been quoted in many major news and trade publications and media outlets, including The Wall

Street Journal, CEO Magazine, BusinessNow, EContent Magazine, KM World, Wall Street and Technology, Waters Magazine and Securities Industry News.



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Jean Bedord focuses on opportunities to build revenue with emerging technologies and development of information products/services for new markets and new channels of distribution. She has over fifteen years of experience in the online information industry working with leading content vendors, aggregators and primary publishers as new technologies have transformed their businesses and business models. As President of eContent Strategies, she advised companies on the business aspects of technology implementations for content producers, and negotiating licenses and distribution deals. Her “dot com” experiences included working with an e-book startup in an industry which has been slow to adopt new technology, as well as a micropayment company and portal development company.

Ms. Bedord teaches at the graduate level in distance education for San Jose State University School of Library and information Science, including Online Searching plus Information and Society. She is a public library advocate with over ten years as a public library trustee. She has been a speaker at Special Library Association meetings as well as an active member in the Pharmaceutical and Health Technology division.

Ms. Bedord’s career includes eleven years at Dialog Information Services, the pioneer of the online information industry, from 1987 to 1999. Her experience spanned three changes of ownership as the Internet changed the business. As Business Development Director, Biomedical and Pharmaceutical Content at Dialog, she managed a major product line for the company, working with publishers to acquire rights to their content, then incorporating that content into commercial products and services. In other positions as Industry Data Product Manager and Licensing Manager, Ms. Bedord negotiated numerous content licensing agreements, as well as software licenses. This included the first electronic copyright compliance program in the industry. She has worked extensively with newsletters, sci-tech and medical databases, market research reports, trade publications, product and company directory publishers, government information, business information providers, both international and domestic, and newspapers.

Prior to the information industry, Ms. Bedord worked over six years at Syntex, a pharmaceutical and medical diagnostics company, now owned by Roche, where she was Manager of Technical Support and Programming. Prior professional lives included scientific programmer at the U.S. Bureau of Mines in Laramie, Wyoming, and an analyst in administrative data processing at Washington State University, Pullman, Washington.



Patricia Joseph

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Patricia Joseph focuses on growing media and information services through new services, acquisitions and creative partnerships. She has tackled wide-reaching organizational growth, introducing over \$200 million in new technologies and services. She has played leadership roles in implementing strategy, restructuring entire product lines, favoring high-potential products, eliminating marginal performers, and improving overall company profitability. Working with under-performing companies, she has turned around organizations, re-aligning people and processes.

Patricia has worked with leading edge information technology companies, transforming a creative new technology capability into successful businesses. She developed and launched the industry-standard for internet ratings.

Patricia held CEO/President positions at a high-growth division of Hanley-Wood LLC, publishing books, magazines and creating a successful e-business, and at Musicnotes, a top music product e-business. Previously she held Senior Strategy, Marketing, and General Management positions with ACNielsen, Dun & Bradstreet, a division of Reed Business Information, and The Washington Post.



Janice McCallum

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Janice McCallum has been actively involved in creating and marketing online information products for over nineteen years. In the online publishing arena, Ms. McCallum has worked for several pioneering information companies, including Dialog, Individual, Inc., and DeepCanyon Company (an H-P company), as well as serving as a consultant to other leading-edge publishing and technology companies, such as CMP InformationWeek, SoftBook Press, Trivnet, OneSource Information, and Charles Schwab.

At Dialog, Ms. McCallum developed new content segments in the business product division, most significantly a mergers & acquisitions content segment. She was instrumental in developing and marketing Dialog's first applications-driven product, Dialog Business Connection, which packaged together targeted extracts from the most highly-utilized business databases with a menu-driven interface. In 1990, she joined the CD-ROM division, again seeking out new avenues for extending the markets for business information through technology, pricing, and targeted segmentation.

In 1995, Ms. McCallum left Dialog to start her own consulting practice. Engagements have included market analysis studies for new product introductions, content acquisition planning and licensing, writing and reviewing business plans, designing interfaces for e-commerce systems that offer content for sale, and designing and implementing contract management systems. Her interests span the entire media industry, and she keeps an eye on developments in the music and entertainment segments to help forecast which new technologies will gain acceptance and possibly provide business publishers new opportunities for distributing their content.

Prior to her career in online publishing, Ms. McCallum worked as a researcher at the Urban Institute in Washington, DC, where she used online systems to manage the construction and analysis of economic databases. She has an MBA from the University of Chicago, Graduate School of Business and is an active alumna of Simmons College.



John A. (Jack) McConville, CFA

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Jack McConville spent over 25 years as an equities securities analyst covering the media and financial services sectors for Kuhn Loeb, Morgan Stanley and Wertheim Schroder.

In 1989, he joined Telerate Systems Inc, (later Dow Jones Markets) as a member of their business group. He later became director of economic analysis where he provided senior management with competitive intelligence reports; financial analysis of new business proposals and potential acquisitions; and, wrote business plans on special projects. He also provided market share data and analysis for both Dow Jones Markets and the electronic publishing operations at Dow Jones.

He joined Risk Waters Group in 2000 as editor in chief of Inside Market Data, a globally recognized industry newsletter. He was executive editor of Market Data Industry, a publication that compiled an annual global market share study covering major vendors -- Reuters, Bloomberg, Thomson Financial, etc. He also authored studies on global exchanges, fixed income providers and Internet delivered data vendors. His industry coverage has been cited in a number of publications including the Sunday Telegraph, The New York Times, The Observer, The Wall Street Journal (print and online), Dow Jones Newswires, Financial Times, Evening Standard – London, Mail on Sunday, Business Week and The Economist.

He is a Chartered Financial Analyst, a member of the CFA Institute (formerly the Association of Investment Management and Research), and a former member of the New York Society of Security Analysts and the Society of Competitive Intelligence Professionals.



Deb Wiley

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Deb Wiley has over 20 years experience in the information industry, including international marketing and sales, product development, online searching and training, customer support, and project management.

Deb has always been on the cutting edge of content and technology. She was involved in product development and training of online databases back in the mid 80s, moved onto CD-ROM technology in the late 80's, designed her first gopher-based internet product in the early 90's and started developing commercial web-based applications as early as 1994.

Since starting her own consultancy firm in 1994, Deb has helped dozens of organizations plan, design and implement successful electronic publishing strategies. Projects have included digitization of over 20 years of journal content for creation on a full-text database, creation of a thesaurus for indexing internal content for a major U.S. government department, designing a multi-media CD-ROM textbook in cell biology, assessing the information needs of members of a major association, and developing e-commerce strategies for large and small publishers.

Starting with her work with CAB International, an inter-governmental organization based in the U.K., Deb has worked with organizations in many countries to improve electronic information literacy and has given training courses, seminars and lectures in over 30 countries. She has assisted several organizations in marketing their products overseas, increasing sales by as much as 500%.

Prior to striking out on her own, Deb worked for several secondary database companies, including CAB International, the Institute for Scientific Information, Cambridge Scientific Abstracts and the Institution of Electrical Engineers. For each she helped develop new products, marketed existing products and was heavily involved in customer training and support.

9. ABOUT SHORE

Shore Communications Inc. is a leading research and advisory service focusing on organizations that create, market, purchase, deploy and use professionally oriented content and the technologies that enable its value in individual and collaborative environments. Unlike many other research and advisory services, Shore is unique in its focus on understanding not just content or technology or users but the complex interplay between these forces that create value in today's marketplace. Shore offers:

- Published research on key trends, products and services in the content and related technologies marketplaces.
- Commentary on today's latest news and events, delivered via online and email publications, online conferences and in-person presentations.
- Tools that can help you to evaluate and implement content and community services and the technology that supports them.
- Confidential advisory services and private consulting that can give you and your staff valuable insights to guide your development, marketing and implementation strategies.
- A developing online community of people that share their thoughts and ideas and collaborate on information to help that community come to know one another.

Shore delivers these services through a virtual team of industry experts that is highly valued for their independence and honesty. Shore does not try to "spin" its view of the marketplace for the purposes of its clients or prospects, ensuring that you will find information and views that are unbiased and trustworthy.

Shore places a high value on its founding principles that dedicate us to delivering high levels of creative performance in everything that we seek to achieve, both in services to you and in our relationships with one another and our communities. We hope that our unique outlook will inspire you as much as our work.

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