Business models in Information Industry

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Intellectual Property Group

Business models

- Pre-electronic era
- First electronic services
- Today's trends
- Tangible versus intangible
- What about tomorrow

Pre-electronic era

- The world was simple

$$\begin{array}{ccc} \text{Authors} & \rightarrow & \text{(Primary) Publishers} \\ \uparrow & & \downarrow \\ \text{Readers} & \leftarrow & \text{Libraries} \end{array}$$

- With simple documents
  - Books, Journals, Patents
- Known Publishers
  - ACS, Elsevier, PTOs
- And simple charging mechanisms
  - Single fee (books, patents)
  - Subscription (journals)

First electronic services

New comers appear or evolve:

- Secondary Publisher
  for Abstracting & Indexing
- Online Host & Vendor
  for Distribution
- Telecom companies
  for data transfer
- Software provider
  for Post processing

specialized by metier

Secondary Publisher: 1st metier

- To cope with vast amount of information
- Synthetic view
- Mainly for Journal articles & Patents
- Charging mechanism:
  - Subscription to bulletins or Alerts (SDIs)
  - Still “traditional”

Online Host & Vendor: 2nd metier

- To improve access to & dissemination of
  - secondary information,
  - Primary information
- Charging mechanism:
  - Pay-as-you-go
  - Influenced by:
    - Computer service providers: CPU
    - Telecoms: connect time
    - Copy services: per document or per page

becoming more complex as time goes

Software provider: 3rd metier

- Initially, players specialized.
- E.g.: Aurigin, BizInt, MDL,Verity
- Charging mechanism:
  - Software company standards

Today's trends

Back to more integration of functions

- Catalyst: technological evolution
- Public organisations are in the game
- Companies are part of the process
- Software & service providers join the club

Catalyst: Technological evolution

- Cost of producing electronic data decreases
  - more full text & multimedia information available
- Cost of producing services decreases
  - more facilities to handle information (linguistic tools, indexing, visualization)
- Cost of disseminating information decreases
  - more networks, more bandwidth
- Cost of PC hardware and software decreases

Public organisations are in the game

- Often as free services
  - NLM and beyond NIH
  - PTOs
- "Business model" (public mission) conflicts with the one of private players

Companies are part of the process

- Integration of services crosses the various borders
- Internal info department and external players
  - have similar activities and issues to solve
  - work more and more closely together
  - or become competitors

Software & service providers join the club

- CAS buys HDS
- Elsevier buys MDL
- IHI buys Aurigin, Liquent and Master Data Center
- Questel•Orbit takes shares in Lingway

Information and software are combined.

Comparing tangible and intangible – Why?

Mass distribution and Information distribution share similarities:

- Possibility for each to expand to the other activity (vertical integration)
- Dominating-dominated relationship between producer and distributor
  - C&A, Carrefour, Wal-Mart,
  - CAS, Elsevier, Thomson Corp.

Who leads the game – Why?

- Tangible:
  - Real shops remain socially important
    - to see or manipulate the goods
    - to socially exchange with sales people
  - Logistics is important

→ *Distributor leads*

- Intangible:
  - Production is automated
  - Distribution is automated
  - Integration of production & distribution is simpler

→ *Producer leads*

Preliminary conclusion

- Vertical integration is the trend on intangible
  - CAS, Elsevier, Thomson Corp., …
- It corresponds to the worldwide evolution of economy increasingly specialized per market
- Consequence on pricing:
  - Pay-as-you-go is unmanageable & obsolete
  - Package deal based on new parameters
    - Size of the user population
    - Data & functions offered

What about tomorrow

- The internet offers new opportunities
- End users enter the game
  - Intangible is affordable
  - the loop author-reader could be revisited…
- Information and communication become more intricated
- Will Google lead the whole system?

This is another story…