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## **Web 3.0 - Its Going to Cost You**

The Internet provides high quality content. Web 1.0 first brought content from businesses and news organizations that users could access. It was free and rich. Web 2.0 added user generated content from sites such as YouTube that allowed users to post their content and from social networking sites. Again it was free and the content was outstanding. All this free content is creating a problem. Creating good professional quality content requires someone to pay for it. Hosting all the Web 2.0 content costs money. Advertising is part of the answer but it doesn't provide enough revenue. Many people have commented on this dilemma but more content continues to be created for free. Just because it has continued does not mean it will continue forever.

Change is in the air. Google is working to limit the number of times per day someone can visit a site for free. The large Chinese site Tencent provides basic service for free and adds a premium package for a small charge. iTunes has already started training people to pay for music, something that was once free. There is talk about using micro-payment to pay for content. One of the most important moves is by Rupert Murdoch's News Corp. They recently revealed plans to erect a "subscriber-only" pay wall around News Corp. websites and to remove them from Google search results and other search-engine listings.

The evolution to subscription or micro-payment model, or Web 3.0, will be the third major change to Internet content. It will change the Internet experience and could significantly impact lower income users. There will still be free content and even content locked behind subscription walls would allow people to have a limited number of free views per month in an attempt to interest new subscribers.

Web 3.0 will be great for content providers since they will continue to have the resources to provide top-rate content and improve, which is also good for users. It does add a very big hassle. If you visit ten or twenty sites that means maintaining a lot of subscriptions and all those passwords, making people reluctant to subscribe or visit a large number of sites. Web 3.0 would greatly reduce the open and freewheeling side of the Internet.

There is an additional problem. Paying subscription fees to content providers does not provide any money to the ISPs that will have to deliver the increasing rich content and provides no way to meet the higher expectations of users for faster, better service that comes when they are paying for content.

There is a way out of this for ISPs and it comes from the model cable TV uses. TV channels get their subscription fee from cable companies. The cable company then bundles access to a large group of channels into a few price tiers. The lower cost ones have access to fewer channels, the higher price ones with

more channels. It has the benefit for the channels of making getting paid easier and provides a large base of people to watch their channel without having to convince each one that they should pay for it. ISPs could adopt the same approach, bundling access to sites. The user pays one fee and has access to a wide range of sites.

How does it help the ISPs? They keep part of the fee charged the users. Let's look at an example of the economics for the ISP and the content site. The site needs \$100,000 a month and doesn't want to charge more than a dollar per subscriber. On its own, it would need to attract 100,000 users to meet its revenue goal. If the ISP with one million customers puts it in its bundle the site would only need 10 cents a month from each customer. It would also be reaching a potentially wider audience - all the one million users - which would help with its advertising rates. The service provider makes money by charging its customer 20 cent. The ISP makes a dime off every subscriber which could go to pay for network upgrades. They would still be providing a deal to the user because instead of paying a dollar they are paying only twenty cents.

ISPs should be on the forefront of the move to subscription based services. They have a lot to gain if they make it easy for the content provider and their customers. Of course if ISPs don't do this then Google or aggregator sites such as RealClearPolitics.com could take it on and pocket the extra money.

One of the downsides to this approach is that the service provider would have the power to make or break a site. Who they include in their bundles could greatly shape the Internet, making it hard for new sites to gain traction. Every evolution of the Internet has changed it, but this time the ISPs have a chance to cash in.