Overcoming Barriers to Entry

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CITI Panel, April 15, 2004
Media organizations have pursued four strategies for content development in a digital, networked, or converged, environment.

This paper examines the nature of these strategies and their effectiveness in overcoming barriers to entry.
Four Online Content Strategies

- Repurposed content simply repackaged for a new media environment (e.g., online),
- Repurposed content adapted to utilize the unique capabilities of a new media environment,
- Original content designed according to traditional media models but distributed digitally,
- Original content designed to utilize the unique capabilities of a new media environment.
New Media Matrix

- Repurposed content from print, broadcast/cable parent
  Type I

- Repurposed content adapted to online environment (e.g., links added)
  Type II

- Original online content, with traditional design
  Type III

- Original content utilizing unique qualities of online environment (e.g., Blogs, Wiki, immersive media)
  Type IV
Traditional Usage by Media Companies

- These four have been used in ascending order
- Reasons: cost, staffing, technology, culture, increasing aversion to risk by many large, publicly traded media companies
  - From Qube to FSN
- Early study (Tankard and Ban, 1998).
  - 94 percent of online newspaper articles contained no links.
  - 49 percent of reporters answered their messages.
  - Search engines present at 64 percent of online newspapers.
  - Readers seldom could add information to an online paper's Web site.
New Media Innovators

- Web Logs, or Blogs, utilize strategies 3 and 4
- Original content, although often derivative from mainstream media news reports, sometimes created by journalists
- Exemplars:
  - www.andrewcoyne.com
  - www.polyscopique.com/blog/
  - www.dennis.ca/weblog/
  - www.hockeypundits.com
  - www.macleans.ca/paulwells/
  - http://ramcguire.com/
  - www.vanramblings.com
  - http://crofsblogs.typepad.com/
Wiki publishing

- Collaborative content, featuring hyperlinks
- Hawaiian word for “quickly”
- Debuted in 1995
- 2004 wiki book “Extreme Democracy”
ONA Finalists, 2003

- Affiliated, 200,000 + Unique Visitors
- ESPN
- BBC News Online
- The Wall Street Journal Online
- The New York Times on the Web
- Independent, 200,000+ unique visitors
- Space
- Slate
- BeliefNet.com
  Affiliated, < 200,000 unique visitors,
- FRONTLINE/World
- PackerInsider
- CQ.com
- Independent, < 200,000 unique visitors
- GothamGazette.com
- The Center for Public Integrity
- VillageSoup

- Of these thirteen finalists, three produced by major for-profit media companies. Packer Insider produced by medium-sized parent.
- Two produced by not-for-profit media organizations, PBS and BBC. One site, although officially independent, is under the Microsoft umbrella and part of the MSN network.
- The remaining six, or 46 percent, independently operated and are among the most innovative in their use of interactive and multimedia features.
2000 Study

- Of 100 online newspapers studied in 2000 (Kenney, Gorelik and Mwangi)
- 2 % offered a choice of language;
- 2 % accommodated users’ browsers and connection speeds and offered a choice of frames;
- 23 % had search engines (down from 64% in ’98);
- 83 % featured news stories on the home page;
- 52 % had some type of hyperlinks (up from 6% in ’98);
- 33 % had links within news stories.
- Preliminary 2004 international study shows Korean news sites utilizing more Type III and IV than US, Japan
International Exemplars in Innovation

- **Toyota**
  - Innovating hybrid car, the Prius
  - Designing humanoid robot

- **Sony**
  - Designing humanoid robot, the Qrio, which conducts ROI?
  - Fosters culture of innovation
Four Barriers to Entry

1) owning crucial resources;
2) economies of scale, where a large firm with economies of scale, may have a significant competitive advantage by producing a large volume of content at lower costs than can a small rival;
3) sunk costs, where an incumbent firm can make it difficult for a new entrants by incurring large sunk costs, and new rivals must match to compete effectively and have no value if the competitor fails; and
4) high exit costs, where large incumbents can discourage entry by raising exit costs.
Owning crucial resources

- Internet/WWW dramatically reduced this barrier by making it possible for anyone to publish/broadcast
Economies of scale

- Less affected by the Internet, although automation, such as spiders, enabled challenges to incumbents in book selling, but also new products, such as Google search
Sunk costs

- Proven to be important barriers in the Internet domain, especially as the marketplace has become more and more cluttered with competitors, and advertising/marketing is important.

- Viral marketing has proven effective.

- Case of Fathom.com
Barriers to Exit

- Stock options proved fatal for many dot coms.
Conclusions

- First, Internet can dramatically lower certain barriers to entry, content providers still face certain barriers, especially sunk costs.
- Second, simple but effective, web logs, or blogs, have emerged as viable exemplar of online content overcoming barriers to entry. Question is business model.
- Original content designed to exploit unique online qualities is largely unexplored territory.