

Executive Summary

The objective of this research project was to perform an environmental scan of pricing models for online content that could help the OnDisC alliance formulate an effective e-commerce model. Towards this end a number of literature searches, interviews and web searches were performed.

The research was directed in several areas to ensure that the results provided a broad context: e-business models in general and for electronic content in particular; the developments in the library field towards digitization in general and in the use of e-journals in particular; discussions with specialists in a number of relevant fields; and a broad survey of content providers on the internet.

The e-business literature revealed the breadth of different pricing models available and gave insight into the nature of price and market differentiation, which is an effective strategy for increasing the user base for digital content. An example of price differentiation is to sell the same product to two different kinds of users at different prices thereby maximizing overall revenue.

Libraries have been at the forefront of technological changes for many decades, and much research has already been done on the potential for e-journals to greatly improve library service for academic institutions. Electronic journals allow for the dis-aggregation of journals and novel pricing schemes using bundling of articles and metered use (pay as you go). Libraries tend to like the flexibility and cost savings that these novel pricing schemes allow but there are disadvantages such as increased administrative overhead and the potential for metering to inhibit end users.

The discussions with industry specialists and subsequent web searches revealed a number of content aggregators – organizations which accumulate digital content from a number of different providers for redistribution – which have moved beyond the stage of subsidized pilot project status towards operational independence. Background papers and pricing schedules were found for JSTOR, AMICO (Art Museum Image Consortium), SCRAN (Scottish Cultural Resources Access Network) and ECO (Early Canadiana Online) which revealed that all of them use price differentiated academic institution subscriptions to generate revenue. Two of the four, JSTOR and ECO charge a one-time up-front fee to help pay for the cost of initial content digitizing.

Web searches revealed a number of sites offering cultural and educational content in various formats including streaming video, audio, text, animation, images. Many of these sites generate revenue from banner advertising, affiliate referrals, product sales, and donations as well as subscriptions. Many pricing models are possible by combining or blending the above revenue streams. The wide variety of cultural and educational content available on the web attests to the effectiveness of these models.