



## **Chapter X**

# **An Investigation of Revenue Streams of New Zealand Online Content Providers**

Prateek Vasisht, Air New Zealand, New Zealand

Jairo A. Gutiérrez, University of Auckland, New Zealand

## **ABSTRACT**

*This chapter describes an empirical investigation into the revenue streams of online content providers in New Zealand. It extends previous academic literature by taking a broader scope and a unique geographic focus (New Zealand). Framed according to a proposed integrated classification of revenue streams and supporting features, which identifies six revenue streams and four supporting features, the study investigates the satisfaction levels of content providers with the revenue stream(s) they use, the issues faced in generating revenue and whether the supporting features support the revenue generating capacity of content sites. After applying certain eligibility criteria, 36 sites comprised the target population of which 11 were represented. Web site examinations coupled with a mixture of face-to-face and e-mail interviews with senior managers comprised the data collection instruments. Respondents used all six revenue streams to monetize their online content. A profile of revenue stream usage, satisfaction levels with revenue stream performance, the issues surrounding revenue generation and the contributions of supporting features are presented.*

## INTRODUCTION

The magic word these days is to monetize, or convert customer satisfaction and loyalty at a Web site into a commercially viable relationship (Rayport, 1999). The reality for content providers however has been rather harrowing; revenue models are in a flux, and contradictory experiences with revenue generation have further confused practitioners: for instance, while a subscription-based approach seemingly works for the WSJ, the subscription-oriented National Business Review (NZ) site consistently hemorrhaged money before converting to a free offering (Gallaughier, Auger, & BarNir, 2001; Greenstein, 2000; Tomsen, 2000; Hutchinson, 2001). Motivated by the currency of the topic and this apparent environment of confusion, this research examines the revenue streams of online content providers. Related previous research has focused on the profit strategies of online newspapers (Mensing, 1997) and revenue streams of online magazines (Gallaughier et al., 2001). By studying content providers and including indirect sources of revenue, this research takes a broader perspective and for the first time, focuses on the experiences of New Zealand content providers. An exploratory study, it empirically gauges the satisfaction levels of New Zealand content providers with their revenue streams and elicits the issues surrounding revenue generation to create a first understanding of content revenue streams in New Zealand. Consequently, existing literature is extended in terms of scope and geographic focus.

## INTEGRATED CLASSIFICATION

Online content providers use the Internet to distribute copyrighted content like news, movies, and other types of information (Eisenmann, 2002). To get a comprehensive overview of the main revenue streams used by online content providers, the classifications of five authors (Eisenmann, 2002; Tomsen, 2000; Zerdick et al., 2000; Gallaughier et al., 2001; Mensing, 1997) who categorized the revenue streams of content providers, online media firms, online magazines and newspapers, were selected from the literature. These were then synthesized to propose the integrated classification (Figure 1). The bottom row depicts the subcategory of content providers the respective classifications relate to. Revenue streams are listed in a way that groups equivalent definitions together. The rightmost column depicts the categories<sup>1</sup> identified by the mapping process.

The proposed integrated classification of revenue streams and supporting features identifies six revenue streams (advertising, subscription, pay-per-view, sales & affiliate programs, syndication, wireless) and four supporting features (newsletters, communities, registration, personalization). It encompasses the main revenue streams used by content providers, indirect revenue sources, and the latest revenue stream — wireless. Building on Mensing (1997), the integrated classification distinguishes between subscription-based access to site content and premium services. Arrangements under which sites offer free content but charge for premium offerings (like newsletters and community areas) are grouped with pay-per-access arrangements (like paid archives) under the pay-per-view category. As the title reflects, pay-per-access arrangements are the *primary focus* of this category and premium offerings the secondary focus. The integrated classification also amalgamates merchandise sales and affiliate programs, mainly because many affiliate programs belong to e-tailers, an arrangement which is essentially

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