The Disintermediation of Content

By Sam Vaknin, Ph.D.

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Are content brokers - publishers, distributors, and record companies - a thing of the past?

In one word: disintermediation.

The gradual removal of layers of content brokering and intermediation - mainly in manufacturing marketing - is the continuation of a long term trend. Consider music for instance. Streaming audio on the internet ("soft radio"), or downloadable MP3 files may render the CD obsolete - but they were preceded by radio music broadcasts. But the novelty is that the Internet provides a venue for the marketing of niche products and reduces the barriers to entry previously imposed by the need to invest in costly "branding" campaigns and manufacturing and distribution activities.

This trend is also likely to restore the balance between artists and the commercial exploiters of their products. The very definition of "artist" will expand to encompass all creative people. One will seek to distinguish oneself, to "brand" oneself and to auction one's services, ideas, products, designs, experience, physique, or biography, etc. directly to end-users and consumers. This is a return to pre-industrial times when artisans ruled the economic scene. Work stability will suffer and work mobility will increase in a landscape of shifting allegiances, head hunting, remote collaboration, and similar labour market trends.

But distributors, publishers, and record companies are not going to vanish. They are going to metamorphose. This is because they fulfil a few functions and provide a few services whose importance is only enhanced by the "free for all" Internet culture.

Content intermediaries grade content and separate the qualitative from the ephemeral and the atrocious. The deluge of self-published and vanity published e-books, music tracks and art works has generated few masterpieces and a lot of trash. The absence of judicious filtering has unjustly given a bad name to whole segments of the industry (e.g., small, or web-based publishers). Consumers - inundated, disappointed and exhausted - will pay a premium for content rating services. Though driven by crass commercial considerations, most publishers and record companies do apply certain quality standards routinely and thus are positioned to provide these rating services reliably.

Content brokers are relationship managers. Consider distributors: they provide instant access to centralized, continuously updated, "addressbooks" of clients (stores, consumers, media, etc.). This reduces the time to market and increases efficiency. It alters revenue models very substantially. Content creators can thus concentrate on what they do best: content creation, and reduce their overhead by outsourcing the functions of distribution and relationships management. The existence of central "relationship ledgers" yields synergies which can be applied to all the clients of the distributor. The distributor provides a single address that content re-sellers converge on and feed off. Distributors, publishers and record companies also provide logistical support: warehousing, consolidated sales reporting and transaction auditing, and a single, periodic payment.

Yet, having said all that, content intermediaries still over-charge their clients (the content creators) for their services. This is especially true in an age of just-in-time inventory and digital distribution. Network effects mean that content brokers have to invest much less in marketing, branding and advertising once a product's first mover advantage is established. Economic laws of increasing, rather than diminishing, returns mean that every additional unit sold yields a HIGHER profit - rather than a declining one. The pie is getting bigger.

Hence, the meteoric increase in royalties publishers pay authors from sales of the electronic versions of their work (anywhere from Random House's 35% to 50% paid by smaller publishers). As this tectonic shift reverberates through the whole distribution chain, retail outlets are beginning to transact directly with content creators. The borders between the types of intermediaries are blurred. Barnes and Noble (the American bookstores chain) has, in effect, become a publisher. Many publishers have virtual storefronts. Many authors sell directly to their readers, acting as publishers. The introduction of "book ATMs" - POD (Print On Demand) machines, which will print every conceivable title in minutes, on the spot, in "book kiosks" - will give rise to a host of new intermediaries. Intermediation is not gone. It is here to stay because it is sorely needed. But it is in a state of flux. Old maxims break down. New modes of operation emerge. Functions are amalgamated, outsourced, dispensed with, or created from scratch. It is an exciting scene, full with opportunities.

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Chicken Little and the Disintermediation Myth

By Paul Shearstone

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If Chicken Little were alive today he wouldn't be running around forewarning us of the sky that was about to fall. He'd be too preoccupied alerting everyone about another potential disaster - which may in the end prove to be just as erroneous as his first prediction. Nevertheless, if the conversations around the office water coolers are any indication, he'd still get the attention of many nervous corporate omni-smarts. So what's the new buzz? Disintermediation!

If you haven't heard the word already, you're going to hear it ad nauseum.

For those unfamiliar with the term; Disintermediation is a groovy way of saying; "Soon there won't be a need for a Middleman." That is to say, thanks to things like the Internet, e-commerce, global attraction and fulfillment, manufacturers will no longer require the services of the "Middleman in the Channels" [resellers] to reach end users or customers.

It would seem today's prognosticating Chicken Littles are quite convinced the death of the middleman is in fact, imminent. But like the chicken that went before them, that doesn't mean they're right!

The incredible rise and untimely fall of many of the mighty dot-com's should serve in no small way to highlight much of what we thought the internet was going to do, it didn't and probably won't. And you don't have to bring up the name, Peter de Jager, to know there is no shortage of red-faced futurists still hiding under rocks looking for ways to get out of town. Fortunes were made and lost especially in high-tech resulting from, let's call it; bad information concerning things like Y2K and the forecasted unavoidable changes to the traditional business landscape, thanks to the Internet.

But to be fair, de Jager wasn't in a bomb shelter when the clock struck twelve, he was in a plane and as far as I know, he never told anyone to stock up on Tang! We can save that discussion for another time as it is – at the risk of sounding a little ironic – history.

Nevertheless, the argument regarding whether e-commerce will entrench itself as the 'preferred' way of doing business continues. From my perch, I'll go out on a limb and say, "It won't! At least not totally."

Simply put, there are two fundamental transaction-types that culminate in a sale. One is Tactical and the other is Strategic. Few would argue the implementation of a new IT-network or specialized software requires a strategic approach that can only be satisfied in person employing a B2B strategy. Most sales requiring specializations all but eliminate – at least for now – an e-commerce solution.

Tactical sales, however, are entirely different and Amazon.com is a perfect example. For products like books,a bar of soap or an airline ticket, e-commerce has a far better chance of becoming the time and money-saving fulfillment process of choice – but even that, as we have seen, has no guarantees!

A toy is a toy is a toy. Right? So why did Toys.com go under? Surely their business model personified the quintessential Tactical sale for which e-commerce was designed. It did! Yet it still failed. Why?

Why also do studies conducted by US-based firms like Pittiglio Rabin Todd & McGrath report e-commerce has not – as of yet - replaced or significantly reduced traditional channel operations to any significant extent?

I personally am reasonably e-savvy but, to date, I have only bought a couple of small items over the net. Not because I haven't tried to buy more.

Giving out my credit card information has never frightened me. My bank assumes all responsibility for purchases by my card should it fall into the wrong hands. [Note: I, like you, pay handsomely for this privilege].

On several occasions I did try to make a small e-purchase. Each went something like this. Step 1: Name / Address / Phone Number / [No problem with that].

Step 2: Date of Birth / [SAY WHAT?] SIN Number / [NOT A CHANCE!]

The fact is; I, like most people, will, not - under any circumstances - give out sensitive, personal information over a faceless Internet regardless of how secure the connection is. And therein lies one of the major stumbling blocks for even the simplest e-purchase. Misuse my credit card; I am inconvenienced. Misuse my personal information; I am potentially devastated for life. A few bars of soap or a new toner cartridge for my printer are in the end, not worth the risk.

What about larger purchases? Not too long ago, the Auto Industry was bracing for what it thought would be a groundbreaking way to sell cars – over the Net. After all, it did meet the Tactical Sale Model e-commerce was designed to satisfy. And when that didn't happen, they were quick to ameliorate their expectations by saying; customers will purchase cars in three steps. First: They will shop the net for exactly the car they want. Second: They will physically test drive one. Finally: They will again shop the net for the very best price and purchase. … So how come so few buyers have done this?

There is an obvious [predictable] answer and it isn't so difficult to understand.

Educated sales-specialists know there is an Art and a Science to selling. Both the Art and the Science are time-tested and proven and are well rooted in things like Psychology, Human Behavior and Motivation. E-commerce, although quick to offer a potentially new and better way to buy, has fallen miserably short in its ability to offer the human factor still expressly integral in allowing traditionalists to make the leap of faith from the real world to the e-world. In the end, it doesn't matter whether it's a computer part, a bar of soap or a new car. A better strategy is still needed to achieve synchronicity between the two buying-models thereby bringing credibility or a speedy end to the argument about Disintermediation.

“Is Disintermediation real? Or is it a Myth?

For the answers to this and strategies you can use [already embraced by successful e-managed companies], go to >www.success150.com/theanswer

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