

Why is this resource necessary?

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Make money

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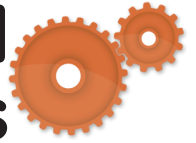
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## Make money from digital developments



### Who is this How To... guide for?

Any arts professional considering digitizing an organisation's core content or off-content; and for anyone thinking about building a digital sales channel or digital community.

### Why is this resource necessary?

The disruptive nature of the emerging digital content landscape on the traditional infrastructure means that organisations will discover unexpected new content and business models around this as they make changes to the way they operate.

An increasingly converged digital distribution system for content throws up challenges for the culture sector. Generally, in broadcast TV channels have used license fee, subscription, pay-to-view and/or advertising to generate revenue. On the internet, advertising supported content has dominated, whilst in telecoms, a tariff based approach where you pay for what you use has been adopted.

Increasing digitisation of content, and global government drives to increase bandwidth has also increased commercial piracy and peer-to-peer file sharing. Rights holders have deployed digital rights management (DRM) systems to control access to their IP in the past. However, as soon as new types of content with their evolved DRM systems are released to the global community of internet users, a hacker has managed to unlock the system. Rather than sue their own customers, businesses wanting to generate income from content have responded by developing premium, value-added compelling services. As Kevin Kelly, founding editor of Wired said:

"If copies lose their "value", then we must sell something that can't be copied. The key is to offer valuable intangibles that cannot be reproduced at zero cost, and will thus be paid for."<sup>1</sup>

Charles Leadbeater agrees that content business have to shift mindset:

"In the past, you were what you owned. Now you are what you share".<sup>2</sup>

These are extremely difficult for the cultural and entertainment sectors to grapple with as they go digital: traditionally these sectors are built on the idea of selling product. Organisations may struggle to control who owns the content. But organisations, especially those that are starting with a live product, can offer value-added, premium experiences because they own the:

<sup>1</sup> <http://www.kk.org>

<sup>2</sup> <http://www.wethinkthebook.net>

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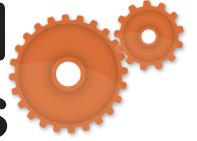
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- context,
- meaning,
- relevance,
- experience,
- embodiment, and
- timing

of the creation of the content. In an experience economy, these experiential assets, which cultural organisations hold anyway due to the live nature of their central product, are what can not be taken away by piracy. Being able to offer different consumer experiences will give organisations new relationships with

new audiences.

The current business models for digital content are driven by the traditional establishment reacting to changing models. But for now it is how you exploit your idea, not that you had it in the first place, that makes the difference in a digital product's success. Different business models for digital content are listed below, with further models explored in [Appendix 1](#) (particularly relating to more games-like, interactive entertainment content):

### Selling the live, streamed or simulcast

**Berlin Philharmonic** launched their Virtual Concerthall at the beginning of 2009, where concerts were streamed (visual and audio) live over the internet for 9.90 Euros. **The New York Metropolitan Opera** and **Glyndbourne's** first seasons' simulcasts were successfully received in cinemas, and recouped their costs.

Royal National Theatre launched **NLive**<sup>3</sup> in July 2009, and amassed cinema audiences of 30,000 for *Phaedre* in a single weekend (you can't squeeze that many people into all of the NT auditoria and its labyrinthine corridors together). A significant shift in the landscape was recognised by Micheal Billington in his Guardian review of NLive's production, at a cinema in Chelsea. It starts:

"The National Theatre made history last night. Its live transmission of Racine's *Phèdre* was broadcast to 73 cinemas in the UK and 200 more around the world. It was a big risk but it paid off brilliantly. Indeed, watching it with a rapt, packed house in London's Chelsea Cinema, I came to a startling conclusion: the production worked even better in the cinema than it did in the Lyttelton. And the implications of that are enormous".

<sup>3</sup> <http://www.nationaltheatre.org.uk/45462/home/nt-live-homepage.html>

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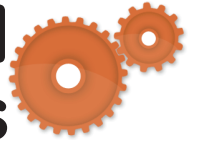
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The cost of satellite streaming at cinema quality is high, and recouping the cost depends on the level of audience prepared to view the event in a cinema.

### Manufacture: Sell the live, digitally recorded

The Met extend their business model beyond just simulcast with the video player embedded in their website, as does the Berlin Philharmonic and [Royal Opera House](#), essentially turning the simulcast into an archive asset that can be viewed as an HD stream. The Met's Player offers buffering for flawless full-screen streaming, the ROH has a re-skinned BBC iPlayer. [Classicaltv](#) uses Microsoft's Silverlight format. All these organisations are trying to create a better and better experience, and obviously expect some audience to be viewing the content on large plasma TV screens!

[Medici.tv](#) mainly hosts European classical music concerts: the recordings are technically excellent – the full screen streamed video is the best quality, and they are immaculately presented. The business model is free-to-view content with embedded adverts, or pay for download to own (DTO) without adverts and in slightly higher quality. Sometimes festival content is available free for a time, before it becomes DTO. Further revenues are generated from on-sales of tickets, CDs and ad revenues. Eventually, all the organisations in this section will offer HD recordings that can be purchased as a download to own or on DVD after the event and as an alternative to the HD stream. The manufacturer of the product delivers the direct sale.

As the manufacturer, an organization can also offer a license of the product to a third party. March 2009 saw the official launch of [classicaltv.com](#), an online re-branding of Sky Arts Channel. The use of dual video streaming to give viewers a choice of back of the house or "candid" backstage may well be a hit (although only for those with the bandwidth to cope). Arts organisations who have manufactured their own channel through which they sell their content can also sell white label versions of the channel: for example The Met manufactured satellite technology to enable their simulcast offering into cinemas – the same technology was used by NTLive.

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### Brokerage

Service agencies in the cultural sector may find that they are able to digitize services that are traditionally analogue. For example, paper brochure and leaflet distributors may need to become online listings distributors, or intelligent searching agents. [The List](#), Edinburgh's listing magazine would include flyers and brochures inside its covers: the whole service is now available online.<sup>4</sup>

Organisations that pulled together traditional marketplaces (think of Tourism Information Centres offering ticket sales for multiple venues over their counters), are being overtaken by online brokerage services like [telecharge.com](#); or "name-your-price" peer-to-peer auction sites like [SeatWave](#)<sup>5</sup>. If your organization has any analogue service it brokers, chances are there is a digital version of it that will save overhead cost and broaden the audience.

### Merchant (digital sales, virtual store) - sell a performance repurposed for recording

[Illuminations](#)<sup>6</sup> is a leading producer and publisher of cultural media, with a distinguished history of making programmes about the arts, digital culture and ideas. They recorded the 2001 RSC production of Macbeth for DVD, in a studio. It was considered a success, and Illuminations was invited back last year to help the RSC think about HD recordings of plays currently in the repertoire. Illuminations/RSC are digital merchants, selling digital content through virtual stores.

### Make different content for the different platform

The 360-degree programming idea has found its way from broadcasting into the arts sector. Damon Albarn's Opera Monkey: Journey to the West, is now enjoyed globally via various different digital channels and formats, it premiered at Manchester International Festival. It is a unique musical work that can be experienced just digitally, or live and exclusively.

The Royal Opera House have extensively filmed "off-content" so that audiences can "watch it come alive" – a clever sub-brand for the digital content available online.

<sup>4</sup><http://www.list.co.uk>

<sup>5</sup><http://www.seatwave.com>

<sup>6</sup><http://www.illuminationsmedia.co.uk>

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### Act as a utility (offer metered subscriptions or usage)

**FT.com** began testing selling online subscriptions for access to the digital version of its content in 2003. The subscription fees for the online version were on a par with the cost of the newspaper. There was little take up. By 2007, the business model was adapted to try and drive traffic to the website: users would be able to access content on FT.com for free up to a total of 30 views per month. After 30 days, they will need to purchase a subscription in order to access more content. In the middle of 2008, this business model was proving complex to manage, so FT.com made all content free for registered users. This resulted in them driving more traffic to the site, and owning a valuable network of registered users, of interest to the FT group and other advertisers alike. Its

interesting that News Corp, FT.com and The Economist are all currently considering making customers pay for digital content only available online (which has previously been given away online as free)<sup>7</sup>. This model is currently untested.

### Give away the content, sell advertising

Successful online newspapers operate this business model – a direct digitisation of their previous business model (selling media space in newspapers to advertisers who want Guardian readers to see their product). The Guardian does this most effectively online: increasingly intelligent context-aware advertising ensures that audiences are not put off by advertising. Reading The Guardian online, the reader sees adverts for West End shows in the Arts section and adverts for Apple Macs in the Technology section. Technology based advertising produces better returns for the advertisers too: “clicked through” adverts mean that the Guardian can produce data on exactly who, when, and where from read the adverts. 88% of mobile phone users aged 18-35 said they would happily watch advertising in return for free content.

**Hulu**<sup>8</sup> is a free online video service for the US that supports free content with advertising. Although Hulu is still far behind YouTube (see chart below), users have been flocking to it, watching 216m videos in December. Hulu contemplated user-generated content, then decided that “the world didn’t need yet another” YouTube; so Hulu has only professional content (favourite US shows like Family Guy, and The Tonight Show) from more than 110 partners such as NBC, Universal and Fox, and advertisers love it. Aggregating the content of many was “something potentially much larger” than piping out the videos of just the individual networks. Hulu now offers content from more than 110 partners, who charge for each piece of content via other channels (Fox sells episodes of Family Guy via their own website and iTunes).

<sup>7</sup> James Murdoch’s keynote speech, Edinburgh TV Festival, August 2009.

<sup>8</sup> <http://www.hulu.com>

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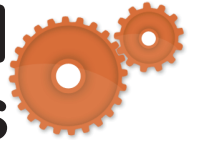
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Very importantly, Hulu's inventory for advertisers has sold out. So Hulu is in the rare position of being able to increase inventory (through new content and more views) and make money from it. Hulu now has more than 100 advertisers, including big brands such as McDonald's, Bank of America and Best Buy. Advertising online comes in all shapes, sizes and forms: banner, affiliate, personalised portals, niche portals, classifieds, user registration for ultralocal placements, intracommercials/pre-roll, ultracommercials or click-to-continues.

### Give away the content, don't sell advertising

Author Paul Coelho links to pirated versions of his own works on the internet, claiming that it drives sales of the physical version. From his own blog:

"I found a pirated Russian translation of The Alchemist - and we were selling 1,000 copies a year in Russia, that's not very impressive - so I said OK, lets put the pirate edition online for people to download. In 2001 it sold 10,000 copies and everyone was puzzled and the the next year we went to over 100,000. It was, believe it or not, the free-for-download book. People downloaded it, started reading it, liked it, and bought it... in the third year, we had over 1m copies, now we're over 10m copies in Russia. Publishers have a tendency to try and protect the content. It's a lost battle."<sup>9</sup>

Independent publisher TOW has decided to make online editions of all their books. The core idea here is that you have a better chance of selling physical/live product if you are top of people's minds, and if they have been looking online for entertainment then being all over the internet is better than not being there, with a risk of becoming obscure. Obscurity is perhaps the biggest threat of all in the digital age. Tow and Coelho's experiences proves that audiences and readers understand the difference in quality between the real/live and the pirated/virtual. The traditional Western paradigm of "Copyright as the sole value of content" is quite possibly unsustainable.

Providing economically free (gratis) and free access (libre) content is one of the concepts behind Chris Anderson's Free: The Future of a Radical Price, and the notion of "freemium". Freemium describes a model where you give away a basic version of the product and then charge for a Premium version, which will have extra features: see below.

### Freemium – or give away low quality content, sell HD and more features

"free as a form of marketing to put the product in the hands of the maximum number of people, converting just a small fraction to paying customers".

Will the notion of free content retreat in a down economy? Probably not - the psychological and economic

<sup>9</sup> <http://paulocoelhoblog.com/>

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case for it remains as good as ever—the marginal cost of anything digital falls by 50% every year, making pricing a race to the bottom, and ‘free’ has as much power over the consumer psyche as ever. Anderson concludes:

“But it does mean that free is not enough. It also has to be matched with paid.”

The TED conference has achieved just that: it has emerged over the last few years as THE hottest ticket. This year it was \$6,000 for each of the 1000 3-day conference tickets, in Long Beach. Or you could have paid \$3,000 to watch the web stream live in Palm Springs. This price is double the previous year, which was double the previous year. TED is a conference of ideas and issues, the meeting of science, business, arts and technology: this year, Cameron Diaz attended. The reason the live event, that is paid for at a premium, can justify its ticket price is because of demand. And the demand for the live has been driven by the digital audience. After the first conference, TED gave away online some of the recordings of the sessions, people were encouraged to share the content. By the next year, TED had 10 million online subscribers, and secured BMW as a sponsor for both the live and digital content. This year, TED now has five headline sponsors and is known globally as an ideas brand globally.

Spotify<sup>10</sup> also operate a similar model, aiming to make all music in the world available to everyone on any computer. It is free to listen and free to list your own band and promote. Advertisers pay for audio and banner ads. Artists and labels develop revenue streams through the sale of downloads, merchandising, concert tickets and more, as well as earning a share of the revenues Spotify creates through advertising and premium businesses. Powerful, granular, in-depth reporting is available to participating labels and artists. There should be significantly fewer banner and audio skyscraper ads in Spotify than can be found on commercial radio. Like TED, Spotify are trying to strike a balance between artists who want to be paid and providing the best possible user experience.

Physical markets for the movie industry’s content (cinema tickets, DVD sales) are still huge, but the markets are levelling off. In 2007 in the US, there was a growth in online sales of movie content (Download-to-own - DTO, and video-on-demand - VOD) of 462.5%. By 2011, US consumers are predicted to spend \$560m per year on online digital movie content. In 2008, Apple launched iTunes Film with 700 DTO or rental movies, priced at £10 DTO and £3.49 rental for a new release.

<sup>10</sup> <http://www.spotify.com>

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Other business models emerging from Hollywood range from cheaper rates for lower quality movies; some are offering the new movie for free, but its paid for by the “advert breaks” that the viewer has to sit through. There is a fixed amount of cinema screens, and a greater amount of films released – there needs to be more channels, which is what **Magnolia Pictures**<sup>11</sup> recognised. They release VOD 3/2/ or 1 weeks before theatrical release - 2-3m downloads happen before the theatrical premiere, or a festival run. 2/3rds of revenue is generated by VOD, 1/3 via theatrical release (then on top of that there’s DVD, DTO, and rental sales).

The indie film sector report that people still want to buy the DVD as well as having purchased the earlier released DTO, or having even watched a pirated copy. The extras (making of..., directors commentaries...) are still wanted.

B-Side Pictures is an alternative distribution company for indie films. Print on Demand DVDs (POD) – cost more per unit, but it means that a film-maker does not have to purchase a big run.

The team behind **Four Eyed Monsters**<sup>12</sup> had a different distribution model – they released the whole film for free via YouTube and MySpace – they gave it away, then got theatrical release through using Google Maps to show digital cinemas, and getting people to pledge \$5/6 to see the film at those venues to cover the costs of the cinema. The team turned up in the cities to queues – they then stood on stage and asked each cinema theatre-full for a \$1 donation (via their website) to cover the cost of the film and their own debts. They weren’t avaricious – the website was set-up to take just up to \$100,000, which it took, and was full of new content – the film creators constantly blogged about their experience of distributing and promoting their film in this new way.

Audiences may be happy to watch a poor-quality version or an interrupted-with-adverts version; but there are large audience numbers who will still purchase - as well as owning the free version - DTO or DVD for the high quality experience and the added extras. The talent unions are beginning to understand new business models around Download To Own, and new contracts for mainstream Hollywood movies and indies are in situ. Film makers and producers at the Edinburgh International Film Festival in June 2008 reported writing clauses for “new media” revenue shares. There are models that the arts sector should consider with our talent unions. The Writers Guild of America (WGA) dropped their demand for increased DVD residual in return for new media revenues. The Directors’ Guild of America (DGA) and the American Federation of Television and Radio Artists (AFTRA), followed suit: WGGB and Equity UK and US will probably follow suit.<sup>13</sup> The Screen Actors guild (SAG) is holding out for a “better” deal.

<sup>11</sup> <http://www.magpictures.com>

<sup>12</sup> [http://www.foureyedmonsters.com/feature\\_film](http://www.foureyedmonsters.com/feature_film)

<sup>13</sup> Thanks to Neil Gillard, Partner at ReedSmith’s Media Group, for agreeing to share this knowledge with the arts sector.



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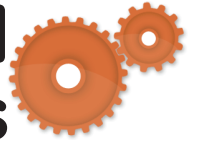
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iPhone apps that offer free and premium versions (paid for versions with added extras and better functionality) have emerged over 2009: Edinburgh Fringe Festival listings guide app, iFringe, has experimented with the freemium model.

### Build community, sell advertising – be an infomediary

Facebook turned over \$300m in 2008 on advertising and referral marketing alone. UK adults are hooked on social networking sites—much more so than their European neighbours. Forty percent of UK adults report visiting social networks regularly, spending an average of 5.3 hours each month on them and returning to them an average 23 times in the month. Internet advertising is surging in the UK. UK advertisers spend more on internet advertising per person

than those in any other country surveyed, paying out £33 per head. This is twice as much as France, Germany and Italy combined. At 14 percent of total revenues, spend in the UK on online advertising overtook magazine advertising for the first time and was more than the total spend on outdoor, cinema, and radio advertising combined.<sup>14</sup> Being an infomediary, which is what Facebook is doing so well, is about gathering data to sell on to targeted campaigns, offering advertisers audience measurement services, or loyalty information.

As Facebook and MySpace founders know, building a social network pays, and it pays via advertising. Users do not mind the advertising because it is extremely context aware, and the benefits of the service outweigh the inconvenience of being advertised at. Many cultural organisations are monetising their online social networks: especially those with large numbers of subscribers (these organisations started social networking early, and have put core effort into daily since).

Brooklyn Museum and San Francisco MOMA can offer advertisers 20,000+ “eyeballs”, on the banner ad space they sell. As well as numbers of eyeballs on your site, you can also sell advertising space because of what you know about your users, who they are and their behaviours online as evidenced on their activity on your sites. Acting as an infomediary, this is what you are gathering to sell as additional value to advertisers.

### Affiliate Advertising (pay-per-click and revenue sharing of advertising and distribution of that advertising)

Smaller organisations are happy to host Google Ads on their online social networks: the **AmbITion social network** on the ning platform includes Google Ads, in return for the free service<sup>15</sup>. **Social Go**<sup>16</sup> is a new

<sup>14</sup> <http://www.paidcontent.co.uk>

<sup>15</sup> <http://getambition.ning.com>

<sup>16</sup> <http://www.socialgo.com>

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online social network service that allows organisations to create their own bespoke network and generate income from and control ads.

### Build Community and accepting donations

It might be that building a community for your organization is about building up a relationship based on the ethics of trust and co-operation. These communities will not tolerate advertising: the community members are not there for that. They are there to help you achieve your mission. [ThePoint.com](http://ThePoint.com) is a website that offers arts organisations a platform to build community and raise funds from them, and many organisations use Facebook Pages or their own websites to gather donations. The film about climate change, [Age of Stupid](http://AgeofStupid.net), was funded by the supporters of the project, pulled together by a website that

crowd sourced the funds needed<sup>17</sup>. It is now even possible to pledge money through Twitter via [tweet4good](http://tweet4good.org), a micropayments service<sup>18</sup>.

### Sell all non digital content, for the same price, digitally

The only sector that manages to achieve this business model is the education sector, especially in the area of professional qualifications and MBAs. Subscribing learners will download course materials, watch streamed lectures, attend tutorials in virtual chat rooms for the same course fee that those on campus pay. Universities such as Nottingham Trent attract many paying Chinese students virtually, because they have invested in their virtual university (a campus in online 3DVR world, SecondLife, has been built). The raw materials lend themselves to "broadcast", and the motivation/responsibility to "pull" the content (and therefore learn from it) sits with the learner. This model may work with masterclasses, but probably a partnership with a learning institution should be formed to ensure that there is an audience who actively want to learn.

### Content on the cloud, sell the access

This newly emerging business model is perhaps a sign of organisations beginning to understand the digital world. The music industry has seen immense change over the last few years. In 2004, just 2% of total global music revenues were from digital music. That figure is now 20%<sup>19</sup>. Catch Media have invented a system called Play Anywhere, which will put people's music on to the 'cloud', and let them access it either via streaming or download onto any registered compatible device (set-top box, in car radio, mobile, PC and more). People can access their entire collection of music (later films, games, other content) wherever they

<sup>17</sup> <http://www.ageofstupid.net>

<sup>18</sup> <http://tweet4good.org>

<sup>19</sup> Source: IFPI, reported in The Economist, 12 February 2009.

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are. File formats will be optimised for the device used. Many rights holders such as Universal and Warner have already signed up, and the PRS has responded positively. It is a mental leap: the metaphor of the ATM is good – a user can take out their music anywhere, sometimes you pay, sometimes the cost is absorbed. For the industry, the model is that even if users steal music, they still make money, as revenue sharers when the user pays to access the music. Physical retailers are still kept in the loop, as Play Anywhere allows for a CD to be scanned and registered at the till, unlocking into a users' library those tracks.

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### Online resources for ideas

- [Paidcontent.org](http://Paidcontent.org)<sup>20</sup>
- [Digital Enterprise Models](http://DigitalEnterpriseModels.com)<sup>21</sup>
- [TechCrunch Europe](http://TechCrunchEurope.com)<sup>22</sup>
- [Jeff Jarvis' Buzz Machine blog](http://JeffJarvis.com)<sup>23</sup>

### Reading List

- What Would Google Do?, Jeff Jarvis
- We Think, Charles Leadbeater
- Tribes, Seth Godin
- The Long Tail, and Free: The Future of a Radical Price, Chris Anderson
- Wikinomics, Don Tapscott

### And finally...measuring Return On Investment (ROI)

To get investment in an ITC or digital development, you will have to prove (to potential funders, your board) that there will be a financial return. Will your development create new revenue streams; new products; new customers; and/or new channels to market? Could the investment in IT or digital development create cost efficiencies or cost avoidances for your organisation? You might need to prove that there will a return on investment.

ROI is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

$$\text{ROI} = \frac{\text{Cost from investment} - \text{Cost of investment}}{\text{Cost of investment}}$$

Remember to keep a record of the original cost of investment, and think about what the timescale should be for measuring ROI: for instance, a new system may need to "bed-in" for 12-24 months whilst customers change their habits, or the organization ramps up its sales of new product/via new channels.

If you can not see a return on the investment for the digital development that you are planning, or if there is no sustainable revenue stream, DON'T DO IT!

<sup>20</sup> <http://paidcontent.org.uk>

<sup>21</sup> <http://digitalenterprise.org/models/models.html>

<sup>22</sup> <http://uk.techcrunch.com>

<sup>23</sup> <http://buzzmachine.com>

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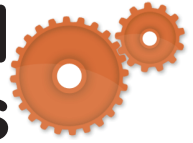
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Here are some more ideas for how to monetise digital content. Some of these models only work for interactive (or game-like) digital content, where the user builds something, some will work for finished-product content. The list is adapted for the cultural sector from the original by David Perry from the games industry. Perry is a 27 year industry veteran whose games have sold over a billion dollars at retail. He's the Chief Creative Officer of Acclaim Games, Inc. and prior to that was the founder of Shiny Entertainment, Inc. which was purchased by Atari.: [www.dperry.com](http://www.dperry.com)

Many of these models can be combined

1. Retail (bricks & mortar), selling boxed product at places like GameStation, HMV or Virgin Megastore. This also includes mom & pop stores, hardcore specialist gamer shops, and online retailers like Amazon.com that ship the product to your door. The gap in this market is "same day" physical delivery of games too big to download or 1st party titles (basically combining online & bricks and mortar in one solution.) The future of this space is pre-paid cards as the consoles will (in the future) go online only, distributing everything directly to the consumer, so retail (to make it worth selling the hardware) will need a cut of the software sales. Hence prepaid cards. The GameStation tactic of re-selling USED games (to avoid paying for new product) will finally be over. To drive users to retail, the making of special "enhanced" versions just for their retail chain is a common practice.
2. Digital Distribution (direct download, direct to consumer), like the Steam service from Valve Software, the PlayStation Store or Xbox Live Arcade from Microsoft. This also technically includes "unlocking" access to a game already on a service, like the faux install process on Facebook (however the player would have to pay to do this unlock.)
3. In-Content Advertising (either obvious billboards or branded items in the content world, or subtle product placement (certain clothing, sunglasses or vehicles), or built into story elements (like the hero's girlfriend works for a Neutrogena). Companies like IGA, Massive, Game Jacket, Mochi Media, Google, VideoEgg etc.
4. Around-Content Advertising (basically making money from banner & skyscraper adverts that circle the content window), this is common on content aggregator sites, they use services like Google, Commission Junction, personal affiliate deals etc. The revenue comes from CPM (cost per thousand views), CPC (cost per click), CPA (cost per acquisition of a player/purchaser), CPP (cost for a "real" player who really plays for a certain time, or to a certain level.)
5. Pay Finder's Fee from "First Dollar"/£. This allows you to pay much higher finders fees with no risk. Like offering (as the finder's fee), the first £5 that comes in from any consumer they find. You

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balance the fee to a sensible percentage of the average income you get from the product.

6. Advertcontent (the whole experience is an advert), common on movie websites, can also be big like the Burger King games on Xbox 360. The advertiser helps fund the content and depending on the deal, that determines who earns cash out of the revenue. Your reputation will impact this equation. And brand alignment has to be considered.

7. "Try Before you Buy" / Trialware / Shareware / Demoware / Timedware (this is letting you interact with crippled, shortened, or restricted time versions of content for free, while trying to up-sell the full version.) This is a real balancing act as too much in the demo can kill any hope of future sales. Xbox Live has been experimenting with this concept, they seem to have hit the sweet spot by giving one playable level and then

giving a big reveal (a 'cliff-hanger' trick, and just like TV it works) before saying "Buy the full version to find out what happens next!".

8. Episodic Entertainment (borrowing from the TV model), you either buy the content as episodes in a serial fashion as they become available, or you can pay for all episodes unlocked for a period of time, or they are sold as expansion packs.

9. Skill-Based Progressive Jackpots (where players buy a ticket to enter into a tournament) this generates a progressive jackpot and winner who reaches a certain (winner) status wins the jackpot. You keep a percentage of the jackpots. The game must be skill based.

10. Velvet Rope or Member's Club (where the user pays for VIP access), they get special privileges and access to special areas on your site or in your content. They sometimes get special access to new product before anyone else, etc. (Basically the more interesting perks you give, the more likely people will want it.)

11. Subscription Model (like World of Warcraft or Conan) paid monthly, usually by credit card or automatic debit payment. It's sometimes coupled with a retail purchase to get the install files / manual. Commonly players set up the credit card payments and don't stop them, as they want to keep the game 'available' or keep their characters alive that they've worked so hard to create. (It's pretty great to get a subscription from people that don't even interact, so expect more people to design interactive digital content where they will clearly KILL your characters if you stop paying. Not good for players, but it's on the list as it's a monetization method.)

12. Micro-Transactions (small, impulse driven up selling), for vanity, saving time, better communications, leveling up faster etc. These are generally paid for using virtual points (earned in the interaction) or the points being bought by the user for real money. A new trend is using Friends to buy these items, where the item just costs you inviting a friend to the content, or an amazing item costs you inviting ALL your friends to the content.

13. Sponsored content / Donationware (serious games, games for good, charity games), these are

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the pieces of interactive digital content that are somehow helping society, so could be paid for by a philanthropist, or by a charity or non-profit, or by user donations. [www.Onebiggame.org](http://www.Onebiggame.org) is an example.

14. Pay per view / Pay as you go / Pay for Time (like the old arcade machine or pinball system), you only pay for what you need, for a pre-set number of views, or as long as you can last. Also used in Internet Cafes and game parlours. This model could be used for timed access online as well.

15. Player to Player trading of Virtual Items (letting them trade land, property, characters, items, also by auctions). You keep a cut of all the money exchanged. You also keep the transactions safe for the player (they don't have to go to the gold farmers or risk the black market for characters.) Some games let the players cash this money out of the

game, so it can become a full time job, but is also a major fraud generator (they use fake credit cards, buy things, trade things, sell for cash, cash out).

16. Foreign distribution deals (like the movie industry), where you need funding, so you pre-sell your foreign distribution rights in advance, then use that money to fund the project in the countries you care about the most.

17. Sell Access to your Players (like lead generation, special offers etc.), this is where you monetize your user database by inserting special offers, or personal profile questions into the registration loop. Like when you register, you're asked if you would fill out a profile in return for virtual points or more access. This is then paid for by an external agency who collects the data live. (Value is equal to how exclusive the data is, how detailed (revealing), and how fresh.) The agency would generally give you the questions and the capture code.

18. Freeware (get lots of users), it's not a plan to make money, but then again, if you make something that's very compelling you can expect offers to acquire your software, company or technology.

19. Loss Leader (focus on your real goal), meaning you sell the game far too cheap. There's clearly TOO much value for money, (like the PS3 Hardware strategy). You use the passionate following to your free content to help sell something else, like a live event, or a TV or movie deal, and that's where the real money is that you were focused on.

20. Peripheral Enticement (the game cannot function without a piece of equipment), so it's really a way to make you money on the hardware. (Gym equipment is a good example, like the virtual bike or rowing games, you tease them with the software into a very expensive purchase.)

21. Player to Player Wagering (they place wagers before they go head to head), the winner keeps the pot and you keep a percentage of every pot. The games they play MUST be skill based games. Gambling virtual items is another technique, where they buy/earn/trade virtual items, then bet them on maybe a 1-on-1 basketball game, the winner keeps the items. (You made your money selling the items to them in the first place.)

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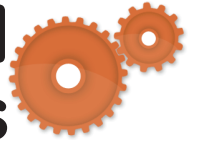
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22. User Generated Content (letting users make endless new content), they can sell it to each other, or sell access to it, or get people to pay for time spent playing it, for points they can turn into cash (like IMVU), and you keep a cut of all sales.

23. Pay for Storage Space (on a server) to save progress, stats, game data etc. As an example, this can be used for Karaoke games where you pay to store your library of songs. (Or at least you think you do, even though you are technically just making virtual storage space for your songs.)

24. Pay for Private Game Server (where your friends come to play), like renting multi-player servers, or giving your friends a maximum quality experience. This is more for the hardcore First Person Shooter multi-player crowd.

25. Rental (stores like Blockbuster, or online like Gamefly), the old rental paradigm meant trying to design the game so it couldn't be played through within one rental period. These days with the Netflix / Gamefly Model, it doesn't matter anymore.

26. Licensing Access (like signing a deal with a chain of cyber cafes to unlock your game for their users.) Or using your game as a part of a TV show. Or letting a corporation use your brand in their advertising such as McDonald's Line Rider commercial

27. Selling Branded Items from your site (using a service like Cafepress) - You need to work hard on your identity to make this interesting for people to wear. For example, Gamer Vixens <http://www.cafepress.com/gamervixens/>

28. Pre-Sell the Game to the Players. This model lets your fans actually fund the development of the title. For example, they pre-pay \$5 in advance for a \$50 game. (They also get to see it get developed and get to provide feedback.) When the game is launched, they get it for free (as they already paid the \$5 advance.) Clearly you have to either have a reputation or a very hot idea to generate enough interest in advance, but once you get on a roll, this can work.

29. Buy Something, get the game for Free - This is the Trialpay model, where the player buys something they want (like a subscription to Gamefly), then Gamefly gives Trialpay a nice fat fee. From that fee, you get paid, and Trialpay gets paid. So by signing up to Gamefly, they get their service and they also get your game (technically) for free.