

February 1, 1995

MEMORANDUM TO: Rob Kost
CC: Scott Kurnit
FROM: Steve Larsen
SUBJECT: Content, Context and Community

This memo is an indulgence in your German craving for *Weltanschauung*-- a 'world view' that can guide decisions and priorities with respect to what we do on the Web.

1. Ancient History

The "online service" of the 70's and 80's was governed to a great degree by the same rules that governed the computer and software industry during that period: "*architecture*." Microsoft Windows succeeded because it captured a set of rules for how to architect an application. Although in many ways a superior architecture, Macintosh failed because Apple mistook selling products for selling architecture.

Following in this tradition, Prodigy misunderstood its franchise as architecture -- the ownership of an entire proprietary framework, from network to presentation, through which content was to be distributed. It compounded this problem by sole-sourcing the only product based on this architecture (PRODIGY). Had production been more efficient, and early business objectives more open (newspapers have come too late), we might have made the leap to selling architecture rather than product, and might have thereby delayed our demise as "online service". It would have come in any event, though.

Internet inherently, and by definition as an open standard, nullifies "architecture" as an element of value. Its openness is the key to the populist enthusiasm for it-- all the barriers are down; "users" and "providers" are both "clients" and "servers". No wonder Microsoft is a bit ambivalent about Internet: they don't (and can't) own the architecture, as they do in operating systems. They still think this is about architecture. It is manifestly *not* about architecture.

2. The Content Myth

Is it about *content*? Yes, but only trivially so. A network is a medium for communicating, and what is communicated is content -- if there is no content, there is nothing to communicate. It follows from this truism, according to the "content is king" theory, that the only thing left to do is own content for sale and distribution. The Internet, *per se*, disappears from view, and what is left is publishing orthodoxy, in which consumers or advertisers (or both) pay for the distribution of content.

But if the software industry's theory of architecture is nullified by open Internet standards, traditional publishing models are just plain inappropriate. The publishing model assumes that content ownership and control is necessary and possible (copyright is dead), that there are barriers to entry and distribution that it is the job of the publisher to overcome, and that information flows in one direction from publisher to consumer. In traditional publishing (including paper, radio, and television), barriers to entry assured a market size threshold below which publishing did not recover its costs, and so kept the number of publications low relative to the size of a potential audience.

On the net, barriers to entry and distribution are essentially zero, meaning that the number of publications is theoretically equal to number of consumers. "Big Publishing" - as known by Time Warner, McGraw Hill, MTV, and others, depends on high consumer/publisher ratios -- something which is by no means assured by the net. Content is not a promise.

Moreover, the experience of the online services over the past 10 years is testament to the following rank order of importance:

1. Community (BBS, Chat, open and uploadable file databases)
2. Communications (email)
3. Interactivity (games, banking, etc.)
4. Publishing (news, information databases)

Two glaring conclusions confront the adherents of 'content is king.' First, it is by now clear that *the market is the content*; the most consuming consumer activity is to become a provider. Second, the paradigm of the World Wide Web is, ironically, organized around item #4 -- publishing -- even though experience has shown it to be the least important item to users. {Hint: use item #4 in the service of item #1}

Content is what is communicated. True. But it doesn't follow from this that the only -- or even the most important -- opportunity is the ownership and distribution of content. For the majority of content owners, Internet will prove to be a disappointment. This is because *content lacks context*. There is no context, for example, that permits or facilitates marketing and advertising. There is no context in which disparate, fragmented pieces of information can form a solution to problem. There is no context in which I can recognize members of my community and they me. The key to Prodigy's success lies in the creation of context.

3. Weaving the World Wide Web.

Its about *context*. "Context" is derived from the Latin "*contexere*," which means "to weave together." I will argue that the most important thing that Prodigy -- or any company -- might do at this point in the history of the development of the Web is to provide methods for weaving together into meaningful patterns the welter of information that is the Internet, and in so doing, provide the necessary conditions for community and commerce.

Context is a pre-requisite to the formation of community. Communities form "organically" based on a commonality of needs and interests. The members of a community must be able to perceive each other in a context -- a setting, a capacity, a role -- in order to determine commonality ("is this a church social, or a football game?" "how do I perceive others and they me?" "how do I find people with my interests?"). Though social contexts do, of course, exist today on the net, they do so in an underdetermined way; there are no systematic ways for establishing identity or interest and using the net to itself facilitate community.

Context is necessary to provide content with *meaning, importance and authenticity*. Isolated facts and fragmented data, news without history, a market without a means for marketing to, and a total egalitarianism of sources -- this is what characterizes the Web today. A sufficiently savvy and determined user can create context, but this is merely to say that the Web is a way of doing the same things (in business, in leisure, in research) in a less efficient way. Anarchy and "State of Nature" are interesting laboratories for social experimentation, but not an adequate or stable basis for commerce.

Finally, context is necessary to *make my interactions effective and useful*. Suppose that I am a salesman coming to the Internet to assemble a "sales backgrounder" on a potential client (having been promised that "its all out there"). I might, if I am knowledgeable and tenacious, find prior years' sales data from one source, corporate structure from another, ownership and subsidiary information from yet another, contact names from yet another, location information from yet another, company news and press releases from yet another... and so on. Many different transactions with many different vendors. If I missed a source, too bad for me and too bad for the content provider. What I wanted was a solution, a result. What I got was content, organized according to its location on servers (!). A vendor who might have otherwise sold information to me missed out -- he didn't appear in context.

The shortcomings of the Web -- its anarchism and lack of context -- present Prodigy with a tremendous opportunity. Having (rightly) identified "communities of interest" as the core of our business, our job is to provide the conditions for community by providing context.

4. Some Proposals for Action.

Assuming for the moment that my argument is correct -- that the opportunity of the next decade is to provide context for content -- what concrete proposals follow?

First, the initial focus of the Internet effort must be business. The network is perfectly suited to the business environment

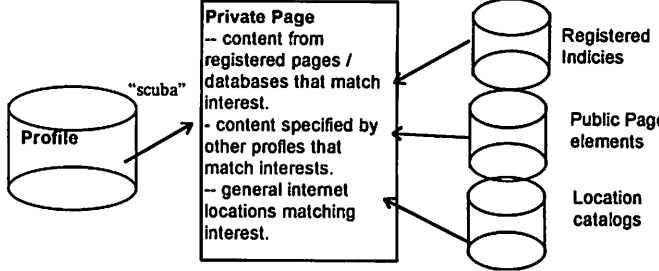
- Businesses form a value chain, at once acting as providers and as consumers -- the paradigm of a networked environment. This value chain is already a community governed by reciprocating needs.
- Most internet users today are businesses, not consumers. Even were they consumers, the experience of Prodigy and America Online is that average revenue / member is situated well below \$20 / month -- forcing the services into a game of acquisition, rather than margin.
- Business' needs are "hard" and utilitarian, and can be rationalized by efficiency and effectiveness. (Consumers' needs are ephemeral, concerned mostly with entertainment, and are in any event not easily subject to "hard" quantification).
- Even businesses that have "bought into" the Internet as an environment for conducting business currently have no way of marketing their product or service -- any event that creates an appropriate (or even welcome) "place" for commercial messages has overcome a major impediment to the commercialization of the net.

Second, the product effort should orient itself toward building the following general capabilities, which form the basis for the creation of context:

1. **Provide users with the ability to author "profiles."** Profiles are of descriptions of myself and of my interests. They are statements to the network concerning *who can perceive me, how they perceive me, and what they perceive of me* -- in short, a profile is my identity on the network. My profile may point to my "public page" -- a personal home page on the net, a discrete element (like a graphic), my site, or an index to my database. The same profile is equally a description of *what I want to perceive* of the net. At its simplest, the profile is a record in a database that I can edit, and which can be used in relation to others' requests for information, and in the construction of my own requests.

2. Profiles are the basis for the construction of two types of "personal pages" -- public and private. My private page uses the interests described in my profile to construct my own Web page -- interests are matched with data from many sources -- including the profiles of others -- that is *registered* in the system. A request for my private page initiates a search for all new registered elements that match my profile - these elements may be simply a listing of sites, or they may be actual content registered with the system, including those elements entered by others as part of their

profile. I am presented with *only* those (new or static) items described by my interests. While interest



areas may span the net (probably producing only Titles as Yahoo and others do), they may also select elements from the community of public pages. These can be presented as actual content integrated into the page constructed for me (news headlines, advertisements, response to my latest BB note, dirty pictures, the Dow Jones Average, pictures of new homes in the New Jersey area...).

In this way, members of the community can engage in reciprocal seeking and finding. Our job, if you will, is "matchmaking."

- a) **Data registered with the system forms a "solution" for the user, and a channel for sellers. A longer term goal of the construction of private pages should be to satisfy a single search through access to multiple databases.**

Sales Backgrounder - "Prodigy Services Company"

Company Information:

445 Hamilton Ave., White Plains, NY 10601. 150 employees. Wholly owned IBM subsidiary. Engaged in second-generation Internet production and deployment.

Securities:

1,200,000 shares of common stock, traded on NASDAQ and NYSE; value 6/29/96: 75.25 up 3 points. ([click here for history](#)).

Principal Products:

Operator of *The Agora* -- an Internet-based electronic marketplace for small and large business. Revenues in excess of \$12 billion. Operating margin of 57%.

News of 6/25/96:

-- Prodigy today announced formation of a venture aimed at permitting users to create their own "avatar" - an identity on the net that... (AP, [click for details](#))
-- Prodigy CEO interviewed at home in Hawaii: a shy, retiring man, Scott Kumit gives very little impression of wealth... (Vanity Fair, [click for details](#))

Other Links:

[Anatomy of a Success](#) (timeinc.com)

[SEC Report: Prodigy](#) (edgar.gov)

[How to Register you data with Prodigy](#) (astranet.com)

Using an engine like that provided by *Infonautics*, a user should be able to access -- and make a single payment for -- content that is addressed to the solution of a task. Take, for example, the "sales backgrounder" described above: because D&B, ABI, Moody's, Dow Jones, AP, Thomas Register, Hoover, etc., have all "registered"

their data with Prodigy, a single query can touch off a search of many sources and produce a single result. The user benefits, because s/he is no longer confronted with many different transactions to assemble a desired result. The seller benefits, because their data is integrated into a solution, thereby making a sale that might never have been made. Prodigy's job is to assemble these solutions on behalf of its members - again, "weaving" or "matchmaking."

3. Profiles are the basis for marketing on the internet. Because a profile describes a set of interests, advertisers are able to target interests appropriately. Advertising appears *in context* as part of a page requested by a user, either at sign-on time (the private page), or as a result of a search. Indeed, the distinction between advertising and other forms of information content begins to break down -- both "editorial" and "commercial" content are the satisfaction of a search based on interest. In addition, the mere existence of profiles permits Prodigy to make statements concerning the demographics of its Web user base that no other operator is able to make.
4. Profiles are the basis for community of interest "bulletin boards" (and their successors). Because profiles describe searchable interests, groups may be assembled in the same way that content is -- by self-described interest. If, for example, I am interested in starting up an exchange between "lawyers" living in "Westchester" that also "play tennis," I make a query of the profile database. The search produces 150 hits (without revealing names). I can then send an invitation to

Join in a group bulletin board discussion entitled "Tennis Elbow Tort Suits." In similar ways, I can construct public areas for the purpose of responding to Requests-for-Proposal, Bids, Auctions, Sales, etc.

These proposals begin to address the challenge of the Internet. Strategically, they begin to form the "centripetal force" that will create the analogs to "retention" on the net -- an arena where "members" cannot be "owned." Markets will be self-forming because the basis has been laid for community; by forming this nucleus, we crack the difficult issue of "critical mass," "chicken and egg." They do not require that Prodigy enter a new business -- the ownership of intellectual property; instead, they suggest that Prodigy perfect the art it has been engaged in for 10 years.