

## **Information Products: Perils and Profits**

Feb. 1991

by Mark Goldstein

All of us are continually deluged by information that arrives in many forms. To what degree is your home (or office) mailbox stuffed with junk mail and other correspondence? How many newspapers, magazines, on-line services, and bulletin-board services do you subscribe to? When you need a compendium of information about a particular subject, in how many places must you look and how much time does it take to find it all?

In short, people need more useful, timesaving ways to compile and put to use the information they need. Information products can help fill that need. My company, Reality Technologies Ltd., develops such products. By our definition, an information product is software that gives users data (information) that ideally has been gathered from several sources and has been seamlessly integrated into a database; the product also gives users an intelligent application with which to manipulate the data. Some examples include our product, WealthBuilder by Money magazine, a personal-finance-management product; Lotus MarketPlace; the Prodigy on-line service; the Franklin spelling checker; and many HyperCard stacks.

Although the concept sounds rather simple, creating information products is incredibly complex and fraught with risk—although successful products yield a handsome reward. Information products are a new kind of application, a breed apart. There are few, if any, similar products available, and the market itself is less developed than others. In this lie the opportunities, perils, and profits.

Caution!

I'll warn you up front that if a product similar to the one you're considering is already on the market, you should think very carefully about competing with it.

In fact, 85 to 90 percent of all new information products fail. I'm not trying to scare you, but I do want to give you a realistic view of what you'll face if you try your hand at developing information products.

Developing these products is expensive, because of the resources, time, and number of people needed. They are also complicated to build and sell. Therefore, they can't be developed in a garage, laboratory, or any other kind of vacuum. The process requires a highly diverse development team and the nurturing of many different and often untraditional (at least for the computer industry) types of product development and marketing relationships.

Having been down this road, I would like to offer some suggestions that I hope will help put you on the path to success.

Join the IIA

You should strongly consider joining the Information Industry Association (IIA) and attending its annual convention, which will give you an accurate perspective on the best design and marketing techniques. Joining may give you clues to where the market opportunities are and are not. I think it's also one of the best ways to get you out of the "working in a vacuum" mode and into the mainstream of information product development.

## Choose a Winning Product Idea

From a design-and-development perspective, there are several things to consider.

Who are the prospective buyers? *Although this is basic textbook stuff, I can't overemphasize the importance of knowing your audience: ages, attitudes, level of education, needs, level of computer-friendliness, where they usually get the kinds of information you plan to provide, and so forth. Then make sure all the elements of your product design match the buyer profile, from the information itself to the user interface to the documentation.*

*Can your customers see real value for the money they spend?* Ask yourself a couple of questions: Would I buy this for X dollars, given all the other options available? How many of my kind of product are on the market? Try to be realistic; I suggest that you take whatever number you come up with and cut it in half—twice. Then double-check your break-even analysis.

*What is your value added?* Why would someone use your product rather than do it the “old way”? For instance, why would people rather buy, learn, and use your personal-finance information product when they can get the information by reading magazines and newspapers, by consulting their stockbroker, and so forth? Without seriously pondering this, you will most likely fail, because people would *always* rather read the newspaper; it's easier, more convenient, disposable, and much less expensive.

*Can you solve a problem or provide information in a way that is economical for both you (the developer) and the buyer?* The economics of your product are very important, and you may be well down the garden path before you realize that your wallet is getting thin. Remember,

developing and marketing these products can be expensive. One example is Prodigy, which to date has cost \$800 million to develop, produce, and market.

*What is the razor, and what are the blades?* That is, will your product allow you to sell refills (updates) that you can produce economically and that the buyer can get inexpensively? Make sure to design a product that offers your customers the opportunity to subscribe to and purchase updates (via disk, on CD-ROM, or on-line). The whole idea behind an information product is to give users the most timely information. So, updates will yield your biggest profits. Identifying the razor and the blades early on will boost your success quotient—and your profits.

*What makes the application intelligent and takes the information beyond what the user can otherwise get?* I think Mr. Spacely of Spacely Sprockets (*The Jetsons*) has the right idea when instead of asking his secretary to take a memo, he asks her to “take a problem.” Making your product truly smart, solving users’ problems, is the best way to differentiate it. Making information easier to understand—and telling users how to use it—is the closest thing to a surefire strategy. Also, if users can get more out of it in less time, you’ll be another step ahead. To use our newspaper analogy: If users can answer a question just by reading *The New York Times*, they will, but it usually takes more than one source to completely answer a question—for example, *the Times*, *the Wall Street Journal*, and the local newspaper. If you can provide all the information in one place, all the better.

An effective way to accomplish this is to use more than one database or feed and to seamlessly integrate all the data. Coupled with a smart front end, a multiple-feed database will give users perspectives they can’t get without your product and will minimize the time they must spend answering a query.

*What are the government rules and regulations, if any, that may affect your product or how it is used?* This will influence not only how you develop your product but also how much you'll eventually spend in legal fees and court costs. For example, when we were working on our product for personal-finance management, it was absolutely necessary for us to understand SEC (Securities and Exchange Commission) rules and regulations, and to make sure that our product and how it was used didn't break those rules.

### Build a Development Team with the Right Stuff

You'll need an unusually diverse development team, one with the right combination of skills and experience to carry out your project. A good team might consist of the following kinds of people:

- knowledge engineers, application programmers
- courseware designers, subject matter experts
- graphic artists, user-interface designers
- user champions

The types and personalities of the people you choose—and their pecking order within the team—are critical to your success, maybe even more than when you're developing a more traditional application. It's not unlike movie production, with its many seemingly disparate talents and ways of working. I've come to see that *all* the people involved are

equally important; the project won't succeed unless everyone is allowed to use the talents you hired them for and to make their optimal contribution to the project.

This, of course, isn't always easy. Members of your team will be working with people whose skills are unfamiliar, even foreign, to them—skills they might not understand or even appreciate at the onset of the project. The project leader's challenge will be to recognize this situation and to orchestrate these diverse talents into a finely tuned, well-organized symphony.

### Choose an Appropriate Content Provider/Partner

The content provider (or providers) is absolutely critical to the success of your product; the information it provides is the main reason people will buy the product. Therefore, you *must* choose the right one.

Your partner will not only supply you with data but also provide marketing clout and know-how. Choose a company that has the best data and marketing programs possible, and then exploit those to the best of your ability. Starting from scratch will be far too overwhelming for your limited resources (and work load). Your partner should already know how to reach its customers, who in some cases may be similar to or a subset of your own.

Content providers are a diverse group, from small firms to Fortune 500 megacompanies. So another important factor in choosing your partner is something that was written previously in an Apple *Viewpoint*: “Although it is difficult to generalize about these companies, one thing can be said about some of the larger ones: They are not cut from the same cloth as is the personal computer industry. They often have long histories and are

huge, global, diversified, conservative, resource-rich, platform-agnostic, and resistant to ‘getting into’ the software business. Establishing a sustainable relationship with these companies is likely to require a thorough appreciation of their very different culture and view of the world.”

*Start with the Big Guys.* In choosing a company, you should start with the top-of-the-heap biggies and try to find the best firm possible, the one with the best information and with which you can comfortably do business. Unless you absolutely have to, don’t mess with the second-tier companies; the last thing you need is to put off potential customers because your partner isn’t the very best. I use a guideline from my personal life to help me choose a partner: Don’t go on vacation with someone who isn’t your best friend.

*Get Top Brass Buy-In.* When approaching a content provider, get overall support for your project from the right person—that is, the highest-level person you can. Getting buy-in from the top brass helps assure that the company has a strategic interest in working with you. The lower people are on the totem pole, the more likely they are to disappear during a project, transferring to another assignment or making a career or job change. This is particularly important because of the long time it takes to bring information products to market; the longer it takes, the more likely personnel changes will occur.

*Know Your Champion.* Once your partner is in place, you’ll probably work on a daily basis with someone lower in the organization. This person becomes your champion within that company. Get to know your champion as well as you can; understand his or her motivations, because that person may be working on your project for personal reasons or be following an agenda set by superiors. If that person is removed from the project (for whatever reasons), your priority in the partner company will definitely change, usually not for the better. When this happens, you may find yourself again struggling to get the

attention your project needs. In extreme cases, you may run into legal difficulties; if that happens, instead of dealing with one champion, you'll be dealing with three lawyers.

### Devise a Clever Marketing Plan

Unlike utilities or more standard applications, information products don't sell because people know they need them. Rather, they sell because people are educated to *believe* they need them. Thus, marketing an information product can require a different kind of strategy than one for marketing a more traditional application. A good plan for an information product should not overlook the following:

*Use your partner's know-how to the max.* Using your information provider's marketing and other kinds of expertise will probably make the difference. Try to go beyond just the core data provided and investigate what else your partner may have that will help you sell your product. Your partner can also help you sell through channels it has established and knows well.

*Capitalize on your partner's brand name.* If the brand is well known and well respected, try to hitch a ride. This tactic can be a double-edged sword, though. You must strike a balance between using its name and investing time to grow its franchise, at the expense of building *your* name and reputation.

*Comarket as much as possible.* Identify name-brand companies, influencers, media, products, and events that can help promote your concept. Then, co-op your advertising, trade-show space, and so forth; comarket everything you can.



*Look for opportunities to barter.* Pay “soft” dollars for as much as you can. Trade, swap, and do everything you can to conserve cash during the product launch period. Look for opportunities in everything you do, including leveraging your partners, buying ad space, planning editorial solicitation and trade-show space, and so on.

### From Bleeding Edge to Leading Edge

Right now, information products are what I call “bleeding edge” technology (beyond the leading edge) where getting cut and burned is a fact of life. However, producing these products will become easier. Tools and platforms will continue to standardize.

Developers in this area will acquire the specific skills needed to create better and better products. Organizations will gain the experience needed to more easily bind together workers with dissimilar skills. And, most importantly, new cost-effective distribution channels (CD-ROM catalogs, high-speed information gateways, new retailers, and so forth) will appear.

I think that if you enter these projects aware of the risks and challenges, with your eyes wide open, you’ll stand a better chance to overcome the perils and hopefully reap the profits. □

Mark H. Goldstein, a former Apple evangelist, is president of Reality Technologies Ltd., a Philadelphia based information products company. The company is best known for Wealthbuilder by Money Magazine, a personal finance management product produced cooperatively with Time Warner, Inc.