



**Ned May, Lead Analyst & Director
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KENNEALLY: ...I want to return to Ned May, who is from Outsell. Outsell is the only worldwide research and advisory firm, serving the media and information industry. They have a global team of 50 analysts. They track nine segments in that media and publishing industry around the world – U.S., Europe, and Asia. They provide analysis of markets, companies, trends, and technology and deliver advice to “C-suites” around the world. And they have subscription and consulting services. For us, and we should tell you that some of the numbers that we use, Outsell is a valuable resource because they are regularly serving knowledge workers in this country and around the world, to understand better how content is being used at the desktop, on the mobile device, in the academic world, and so forth. And Ned May, who is the lead analyst and director for Outsell, has come with some interesting updates on his – on the kind of use that is being made of content, and what we can learn from this, if we are publishers are involved in this industry. So at this point, I want to turn it over to Ned May. Ned?

MAY: Thank you, Chris. And we have a podium and we have slides. The slides won't go on the podium, and we have a mic but it's not wireless. So I'm just going to be bouncing back and forth here. I apologize. As Chris said, we do a lot of research at Outsell. In one study that have done regularly over the years is to look at the consumption habits of knowledge workers and really try to determine where they are as far as consuming information, sharing information online, as well as their perceptions around copyright. So what I'm going to present today is the most recent results from a wave of surveys that we've done. I need to point out – it's not indicated on the slide, but given the audience in the room, this is a survey of U.S. knowledge workers. So it's U.S.-only. It's looking at individuals that identified themselves as over 18 years of age, that are in a place of employment, and use knowledge and share knowledge as part of their work. So it's a fairly broad definition of what makes a knowledge worker, but as we all know, it's a pretty broad (laughter) use of knowledge today. Everyone uses information in the course of their work.

I also mentioned that this is an update of a survey that we last completed in 2005. So what I'll be able to present is some of the highlights from this, a comparison of



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'05 responses and 2009. So a five-year stretch there. And we really looked to identify three different things. What are their behaviors around sharing information? How frequently? How far? How wide? What groups are they sharing the information with? As they share that, what are their perceptions around the use? What is their mindset with copyright? And this is a tough thing to determine because you can't say, did you violate copyright laws yesterday? Or here is the law – you – do you violate this on a regular basis. So we have crafted questions in a way that we feel can identify this behavior as best as possible. And we also have – as I said, these are the same questions we asked five years ago. So we have an ability to compare those responses. We looked at the perception, then we also asked them their enterprises effort. So not what does your enterprise do, but what do you believe your enterprise is doing around that, and that helps set the understanding of their own knowledge of copyright and how forceful their enterprise is being as far as determining and pushing out copyright laws and practices and behaviors.

So this survey – this wave was 250 knowledge workers in the U.S., and the first piece of it was the sharing behaviors. And we asked a variety of questions around that. It's also available in a report which I would be happy to share with anyone if they came up after this presentation. But the first item we identified was a number of events that are sharing. So a sharing event is one document, one article, one kind of piece of contained information being pushed out to one other individual. So if I shared a report with ten people, that would be ten events. But looking at our survey and running the numbers, we identified 370 billion events in the U.S. alone in one year. So it just – it speaks to how much content is flying around and how fast. This was up six times over our 2005 data, and it was up because of two things. One, the frequency in which people were sharing information increased about 60%, but also the number of people that information was being shared with increased dramatically as well. So more people are being added to the to line or the CC line on that email, and it's being sent out more frequently. And this is something most of us are aware with just not being able to keep up with our inboxes alone, and read – you have the list of, oh I want to read this, this looks very informative – and it just keeps growing.

We tried to identify how much revenue was attached to that, and there's a – you can monetize content, you all know, in so many different ways. But taking what we felt was one of the simplest ways, which was an ad placed around that – a banner ad – and making some assumptions on the average cost per click, the average CPM for that, we identified that the revenue lost or attributed to those events is over \$2.2 billion. We used an average CPM of six for that calculation – \$6. There's a range, obviously, in the low – less than a dollar. But for a lot of the content, high-end valuable content, that CPM can go up \$20, \$40, \$50. So we chose six. We



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identified that in the U.S., we're looking at a lost revenue opportunity of over \$2 billion just by placing a banner ad around a piece of content that's being forwarded from one individual to others. One of the – probably the most disturbing pieces of our research – and there's a lot of good news in the survey, the update from '05 to '09 – was that we identified 60% of the respondents share information with clients. So outside their organization, with their own customers – at least weekly. So still a high proportion of information going outside the borders of the enterprise, and if you're sharing it with clients, by definition, that's certainly for commercial purposes.

So the next element that we were looking at is this notion of perceptions, and this is perceptions on copyright and on users' or readers' belief that they have permission to share information. So how do they feel about the information they have and the activities that they are conducting. The good news here is that awareness of copyright, just in general, is up from 2005. But as I said, there's bad news as well, and that's that the habits are persisting. So people are still sharing information, even though they're – they have a better understanding of what constitutes fair use and proper use, they're still sharing fairly aggressively. And the third bullet here, on mission critical, we asked – in mission critical situations, will you share information without checking for copyright? What's your first step here? You need to get information in the hands of your boss or your colleagues. Will you share it before you check? And 47% said yes. They'll share it without checking for copyright first. That's the same number as in 2005. So that has not moved.

And then there were some other pretty interesting elements that came out of this. One was that we saw when knowledge workers gathered information from their own company portal, they felt that that – by getting it from the portal, that permission was already obtained for them to share information. So as we see, the aggregation – the use of aggregation increase in the enterprise and enterprise licensing spread, individual knowledge workers feeling that they don't have to take an extra step for securing copyright. And that's to the last bullet, that there's a growing belief that protection is in place. So you take the first bullet and you kind of wrap it with the bottom, which is awareness is up, but everyone feels like they're doing the right thing so it's OK. And you realize, that's where the problems are growing.

Which leads us to this third element, and that is, what are the enterprises doing to help with copyright? When we asked the knowledge workers, only one third of them were aware of their company's copyright policy. So clearly, if companies are communicating it, they're not doing it well enough to get the word out. Part of that is, we asked how do they do it and when do they do it. Once a year was the



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norm. So an annual letter going out, and it's not even a printed memo, but it's an email. And back to my earlier point about the flood of email in our inbox, corporate HR or some group or legal or compliance is sending out one email a year that has the copyright policy. And you can imagine what the readership of that email is likely in an enterprise. So there's not a lot of effort on companies, and there's a tremendous amount of risk. I think it'll be explored by Chris and Drew as far as the risk that an enterprise faces when they don't ensure that compliance is happening within their walls.

And another problem around that is that there's been no clear go-to for copyright clearance or copyright understanding. So we asked if you have a question on a document or piece of information, who do you go to to seek compliance within your enterprise? And we had a category of about eight, from direct manager to HR to – or to legal, to compliance. And there was no clear group or function that emerged. So there's still a lot of confusion in the enterprise, and a lot of work to be done. The good news here is that understanding is up. Awareness is up. But so is sharing and ultimately, so is the risk to an enterprise.

KENNEALLY: Well Ned, before we go over to Copyright 101, I want to just take an opportunity to ask a couple of things that I think will help to again further set the stage for the rest of the morning. And the time – it was 2005, was the original survey –

MAY: Yes.

KENNEALLY: – to 2009. A lot has happened on the web in that period. I think if you went back to 2005, if YouTube was around, it wasn't very well known at that point. Blogging was still a relatively new phenomenon. It kind of exploded on the scene for the 2004 political campaign, here in the U.S. at least. Facebook was not what it was. All those social media applications that we are so familiar with, it wouldn't surprise me if there are people today, right now in this room, tweeting about what we're saying. Twitter would have been something birds did in 2005, and today, of course, that's something entirely different. And so I guess one question, and I'm sure it's on people's minds here is, how publishers and how you see this explosion of content – much of it created by nontraditional sources – changing perception. Does that have an impact at all?

MAY: Well, and that's a very interesting question, Chris, one that really drove us to update this study because yes, blogging was around in '04, but – and in '05, but the level of people participating in the contribution of content was much lower then. So the explosion of Web 2.0 and everyone being able to contribute as much as to consume, we felt was going to change the perception around copyright, because



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people are contributing that as part of the general good. They're not looking to monetize it predominantly. And so they put something up for free. The assumption is that the content that they pull down is for free, too. We didn't quite see that in the results, and there's also a lot of efforts around some of the licensing agencies that – the commons that you can – that individuals can do. So I think the word is still getting out about copyright and publishers information.

The other challenge, though –and we look at both aspects, and I'll touch on it later – is that there's new forms of sharing information now, too. So as you mention Twitter, but links with SMS. And we broke out the research by age group, and we said, how are you sending around content? And we looked at social networking sites, as well as SMS and text, and for the younger age group, we're starting to see an increase in that. So the problem is getting more complex and bigger.

KENNEALLY: Right. And there are a lot of numbers. If anybody does want to see this report, be prepared to have to read a lot of numbers. But one of the numbers that is surprising, though, is that even with all of those changes – so you've got YouTube exploding and Facebook and so forth – the predominant way to share information remains –

MAY: Email.

KENNEALLY: Over and above all the others?

MAY: Much farther. Even within that younger, 18 to 29 age group. That category, it's clear that email is the number one way to do that. Either a link or the text – the worst case is the text copied into an email and sent along.

KEANNEALLY: So again, for the sort of take away for publishers in the room is that while you can be distracted by that Times Square billboard out there, you could also be distracted by all of the hype around things like Facebook and so forth. But within the office, for the knowledge worker, it's still that ubiquitous killer app, the email, that is the one that really is where the content is traveling.

MAY: Yeah. In fact, the facts still exceeded – the fax machine, facsimile still exceeds social networking sites as a tool for sharing information. So to highlight that point, email is absolutely the way it's shared today.

KENNEALLY: Wow, and so a fax is still a bigger content sharing form –

MAY: Yes.



KENNEALLY: – than Facebook?

MAY: We did not ask about the copy machine, but I'm sure Xeroxes –

KENNEALLY: (laughter) I'm sure there are still copy machines –

MAY: – out there, and that's how the –

KENNEALLY: – exactly.

MAY: Yeah.

KENNEALLY: But I have a feeling that Facebook will eventually take over the world.
It's taken over my daughter's life, but that's probably not an uncommon thing.
Well, I want to thank Ned May.

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