

# Rethinking Frees

By Elena Fawkner

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Elena Fawkner  
jan@ahbbo.com

A Home-Based Business Online <http://www.ahbbo.com>

Rethinking Free

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"I have had to change my email address to [deleted], as usa.net is no longer offering their services for free, another indicator that the internet business environment is not what it used to be."

This is an extract from a "change of address" email I received a couple of weeks ago from a subscriber. No, indeed, the internet business environment is most certainly NOT what it used to be. More and more we are expected to pay for access to services we used to be able to get (and expect to get) for free.

Why do we expect so much for so little online? Because that's how the internet evolved. Originally a network of computers designed to facilitate an exchange of information and resources between academics, the fact that purely academic pursuits were the goal naturally meant that it was perfectly appropriate for the educational institutions involved to put that infrastructure in place without expecting the end users to directly pay for the content.

As recent history has evolved, of course, the internet has expanded WAY beyond its humble academic beginnings to its current status as a primary medium of exchange of information, products and services for virtually every sector of the economy. How often do you see an advertisement, whether print, radio or television that doesn't give the advertiser's web address as a matter of course?

Although business has become the hugely predominant exploiter of the medium, the fascination with the technology has, until now, somehow kept the focus off business basics ... you know, all those minor issues such as actually making a profit and pesky details such as hang-on-a-minute-how-are-we-going-to-pay-for-all-of-this?

So enamored were we, as consumers, with the sheer power and

brilliance of being able to access, with just a few keystrokes, information on literally any subject under the sun that took our fancy, coupled with the not-for-profit academic beginnings of the internet revolution, the idea that someone, somewhere, presumably had to foot the bill for all of this was nothing more than some sort of abstract issue we needn't concern ourselves with. It was someone else's problem. Someone else was profiting from all of this and whoever that was should pay. It really didn't dawn on us that we were the ones who were truly profiting.

This "free" mentality was a major contributor to the downfall of the first e-commerce wave. Venture capitalists, probably more caught up in the promise of this bright new technology than anyone, were prepared to throw money at this thing with the curious blind faith that somewhere, somehow, this new playing field was a source of riches never before dreamed of. So quarter after quarter, year after year, undeterred by the red ink dripping like blood off corporate balance sheets, the VCs kept sinking more and more money into the black hole, holding steadfast to their irrational faith that somewhere in this brave new world was a rich reserve of untold wealth that they would reap if only they drilled deep enough and long enough to reach black gold.

The recipients of this free-flowing cash, of course, had to find a way to make money so they could eventually pay it back. Business models were created that revolved around providing free content (because the internet, after all, was a "free" medium) and charging third party advertisers exorbitant prices for the privilege of displaying their advertising to the vast numbers of site visitors clicking in and out of their websites every few seconds. Perfect! Site visitors receive their \*entitlement\* of free information and we'll make our money from advertising revenue, these site owners decided.

What they didn't count on, however, was that the "free" mentality of online consumers brought with it a built-in resistance to actually paying for \*anything\* online. And that included the products and services offered by these high-paying advertisers. Disillusioned with the disappointing return from their online advertising ventures, advertisers began to cut back their online advertising budgets and, lo and behold, the website owners experienced dwindling revenues. Dwindling revenues meant they couldn't service the exorbitant finance costs associated with their oh-so-generous venture capital loans, the VCs finally woke up to the reality that money was generated online in just the same way as it was generated offline (payment for products and services) and decided to cut their losses, calling up loans. Mega web-based businesses went out of business left, right and center, finally culminating in the great e-commerce shakeout of 2000.

So, for those with web sites and ezines providing information and relying in large part upon advertising revenues to make profits, the (temporary) advertising squeeze has created something of a challenge. If these publishers don't receive a return on their

investment from advertising revenue, what happens? Yep - they start looking for alternative sources of revenue and that means charging the end user. Such sacrilege!

Well, I'm here to say it's nothing of the sort. Of course we should pay for what we use. Western nations are capitalist societies of capitalist consumers. Why on earth should we expect someone to put in the time and effort of providing a valuable service or product without compensation? Do we really think that all those great web sites out there are nothing but a hobby for their hard-working owners? Some of them are, admittedly, but many belong to hardworking people, wanting to provide a valuable product or service but yet get paid for their efforts. By someone. If not advertisers, then all that's left are the end users ... those who, when all is said and done, directly benefit from the service.

So, what does this great counter-revolution mean for you and your business? Well, for you, it means get used to the idea of paying for what you use online, just as you do offline. For your information-based business, if you're not generating enough income from advertisers, it means get used to the idea of charging for your content. And don't apologize. You work hard and are entitled to be paid for it.

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Elena Fawkner is editor of A Home-Based Business Online ... practical home business ideas for the work-from-home entrepreneur.

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