

Diary of a Start-up

Eighth part in a 12-week series

Week Eight Question: How would you set up EVO Knowledge so that it makes money?

Leverage assets with ads and affiliates

The legal challenger

Len Ferber explains how Tim could use advertisements and affiliates to his advantage.

By Len Ferber

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When it comes to revenue models, the Internet has certainly complicated things.

For traditional brick-and-mortar companies, the revenue model is fairly simple: A company produces products and/or services and gets paid from its customers. The nature of the Internet is such that online businesses automatically have multiple opportunities for revenue. The Internet is a means by which you can, simultaneously, sell your products and services, advertise third-party products and services and create any number of affiliate relationships that can result in increased revenue.

Successful online revenue models are built on a single principle: “leverage” - that is, using existing assets to generate more revenues. View advertising and affiliate relationships as keys to leverage your assets: your customers, your content and your technology.

Selling advertising on your Web site provides a means of leveraging your customer base. Companies will pay to advertise on your site based on a set cost per month (or other time period), a cost per thousand of “impressions” (that is, the number of times the ad is delivered as a result of a page view) or “click-throughs.” But regardless of the way advertisements are paid for, the larger the number of site visitors the larger the advertising revenue.

Many Internet companies use ad agencies to sell advertising on their site. Here are a few things to consider when entering into a contract with an ad agency; in one way or another they all have to do with control:

- Be clear on the type of advertising you wish to have on the site. Are you generally accepting “all-comers” or only advertising for “complementary” products/services. In any event, specify those types of companies from which you will not accept advertising (such as adult content, alcohol, gambling and competitors).
- Reserve the right to reject any advertisements based on content.
- Reserve the right to sell advertisements directly (either without limit, or for a certain type of advertisements).
- Keep the agreement somewhat short term (in other words, terminable on 90 days notice).

A controversial type of “advertising” revenue you might want to consider, and one that will allow you to leverage your content, would be to charge those companies whose executives are interviewed for EVO Knowledge’s tutorials. Those companies will definitely see a value for participation on the site and might pay for the privilege. Any concerns about this practice can be mitigated by limiting this practice and/or setting up a special section for “paid content.” This is no different than legal publications that offer attorneys the opportunity, for a fee, to write articles and reach a target audience.

Find an affiliate

Online advertising as a revenue generator is dwindling as evidence of its effectiveness for advertisers is still to be proven. New types of online ads and new methods for better targeting ads may well help on this score. A more far-reaching way to leverage your assets, however, can be achieved through “affiliate relationships.” An affiliate relationship is really any formal agreement between two parties relating to your business. But beyond merely a revenue generator, affiliates are viewed as your “partners.” In fact many sites lists their “partners,” and site visitors (rightly or wrongly) make judgments on the basis of a site’s “partners.” Affiliate relationships can take any number of structures, although they generally fall into three types: linking agreements, co-branding agreements and licensing arrangements.

That said, there is no standard “affiliate agreement;” the particulars of each deal are unique to situation at hand.

The type of agreement to pursue depends on the asset sought to be leveraged - customers, content or technology. Linking agreements function much like advertising agreements and help leverage your customer base. It is essentially an agreement where the parties put their respective icons on each other’s site, allowing a site visitor to click-through to the other site. Revenues are generated on the basis of either the number of “click-throughs” or the sales generated by the destination site from visitors coming from the original site. Co-branding agreements provide for the development of a separate site having content similar to the original site of one party. The separate site is specifically designed for users of the other site and is, as the name suggests, “co-branded,” showing both companies’ names and logos or a jointly selected new name/logo. These agreements not only leverage your customer base, but also your site content, by using your content to draw additional site visitors and, hopefully, subscribers, from an additional source.

Your content and your technology also can be leveraged by entering into a licensing arrangement. After the content appears on your site, what else can you do with it in addition to making it available in your archives? You could license the content to a site that caters to an entirely different audience than yours. In addition, to the extent that you have developed technology which is proprietary, affiliate relationships can be forged with others who could license the technology for use in a non-competitive application.

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