To: Paul Sagan
From: Walter Isaacson
Re: Some strategy thoughts
Date: March 3, 1996

It seems to me that you are faced with four basic approaches:

1. Turn Pathfinder into a purely ad-supported service.

2. Create an end-to-end "in a box" product in which we (in partnership with someone) make money off of connectivity and content.

3. Create a coherent Pathfinder bundle that can generate subscription revenues.

4. Keep a big Pathfinder umbrella service that is ad-supported, but at the same time focus Time Inc's efforts on creating three or four branded services that subscribers will pay for.

Option one still seems viable. It may be the safest. But it means cutting down Pathfinder's annual costs from $10 or so million to $4 million.

Option two seems less viable these days. We failed to find an MCI-like partner. Now, AT&T is offering very cheap (free, in some cases) no-frills, content-free access to the web. People will have their own ways to get on the web and their own software, be it from AT&T or their office or their Baby Bell or an online provider. In a way, this is good for us: access and connectivity is going to become a commodity, like long-distance phone service is now. People will pay (or not pay) for content separately.

Option three seems less viable to me now than it once did. AOL can say "here's our big bundle of content and you should pay for access to all of it" because they control design, your connectivity, the opening screens and the navigation technology. On the web, it is harder to have a coherent design across multiple services. More importantly, consumers will have thousands of pet services, sports services, movie services, etc., they can surf to and from easily. They may soon pay for a variety of the ones they like, but I fear Logan/Pearlstine may be right: it now seems to me less likely that they will pay one flat fee for a disparate conglomeration rather than pay for their particular interests. Especially when there is neither a clear coherence about what is in the conglomeration nor an established sense that various elements of that conglomeration might have a fee of their own.

Which leads me to option 4. For us to make money in new media, we have to develop a few core, branded services we can charge for. I think these services should be based on core brands and content that Time Inc. owns.

This means that three or four magazines are going to have to be willing to make the plunge to charging for their sites/services, even if it means usage will plummet for the foreseeable future. (Now that I'm back running Time and not up with you anymore, I would be willing to have Time be a point person even if we could attract only 500 subscribers, since someone on the web has to blaze this path.)

My guess is that the three best branded services we could pursue initially are SI Sports (obvious demand but an unfortunate array of competition), Money/Fortune Business & Personal Finance (one site, I think), and Time News Now.

To lapse into parochialism, let me describe how a Time news service would work. (It isn't too different than what CompuServe is paying scads of money for.) Its opening screen would feature up-to-the-minute news from Reuters enhanced by the items now in the Time Daily. There would be personalization software that would allow you to get right to stories of your own particular interest. At any time, there would be three or four constantly-updated special report areas on running stories. These would have links from, and provide depth for, stories from the wire/Daily. There would also be hand-made links from the top wire/Daily summary and from the special reports pages to recent stories in Time or to other databases (Congressional Record, White House press office, Census bureau, CQ, and commercial partners we make arrangements with.) All of Time's archives and pictures would be available and searchable. It would be a great, reliable, trustworthy place to go to get the latest news or to do deeper research on any news topic. The discussion groups would be among smart subscribers, rather than web idiots, and be well hosted.

For this service, people would be asked to pay $4.95 per month. For a while, few people will do so. Eventually, if other branded websites start charging, more people might subscribe. Time's circulation department might also give away subscriptions to this service as premiums for valued subscribers (thus building a database of Time subscribers who are digitally savvy), though we would make the Time circ department pay something for these subs.

We would do the same for Sports and Business/Finance. In the meantime, you can work on corraling in Health, though I'm skeptical about its appeal. Travel should probably remain free and ad/transaction supported.

Once we had three or four services that people were willing to pay for, we perhaps might then market them collectively as a Pathfinder bundle. Get all four, plus all of Pathfinder, for half the price of subscribing to them individually.

This means focusing our tech and resources on the four sites we're going to charge for. The magazines involved would market these services heavily in their pages, and swap ads.

The question of how centralized or decentralized the finances are seems a peripheral issue. Pearlstine/Logan can decide to authorize each of the magazines to spend a million or so on these sites and add this money into each magazine's budget, or they can funnel the money through your New Media budget. I actually think it's better for you, and for the company (and for Logan), to do the latter. Your group probably knows better than Seaman/Ramo what works best and how to charge for and market it, and there are probably efficiencies to having the technologies (personalization, wire feeds, databases, searches, design tehniques) developed by a central group. But if you and Logan/Pearlstine want to authorize and appropriate a chunk of money for each magazine to spend on its own, that might work almost as well.

This is a starting point for thinking and discussion. But I think the main points are these: we have to leap soon into producing services we can charge for (this helps with LineRunner as well), and it doesn't make much sense to keep casting about for a tranforming outside deal to help fund things or to develop an end-to-end product.

Hope this helps. Feel free to share this with anyone you want, but I'm not sending it to anyone else.