

Stars of On-Line Services Are Becoming Free Agents

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On-Line Stars Hear Siren Call Of Free Agency

By STEVE LOHR

Just as the old Hollywood studios lost their iron grip on the stars they nurtured, the traditional on-line studios like **America Online** and **CompuServe** are starting to lose their singular hold on the stars of cyberspace.

These stars of today are the popular special-interest sites on the on-line services, typically started by young entrepreneurs in the last couple of years. The hot sites are crucial assets to the big on-line networks, keeping keyboard-tapping customers on the line, running up metered time and revenues.

Until now, these young entrepreneurs have been independent contractors with little independence in practice. The on-line services usually demanded exclusive contracts, and kept most of the revenues generated by the sites — usually 80 percent or more.

But the talent is getting restive as the site hosts start to set up shop on the Internet's World Wide Web. Although they do not expect to make a lot of money on the Web soon, they are using the new distribution channel as a wedge to change the balance of power in cyberspace.

How the proprietary on-line services respond to this shift will determine what role they will play in an on-line environment characterized by more open competition for talent and the more open technology of the Internet.

For example, Michael Bolanos founded an on-line forum on **CompuServe** 18 months ago for people interested in movies and entertainment news, begun with a friend and one computer. Today the site, called **Entertainment Drive**, has a staff of 30 and generates millions of dollars in revenue from **CompuServe** customers, who pay 5 cents a minute for on-line time.

Roughly 600,000 customers tap into En-

tertainment Drive's forums on movies, soap operas, television and children's media each month. They read news and gossip, download movie clips, and talk on line to one another or to visiting stars like Tom Hanks, Pierce Brosnan and Spike Lee.

Mr. Bolanos, 30, says he thinks it is time to broaden his franchise. "We want to break free of only being on **CompuServe**," he said. "Entertainment Drive has the potential to be a media brand name, and everything that we are doing is geared to increasing our distribution."

Entertainment Drive is building its own Web site, which will be open early next year and will include advertising. And Mr. Bolanos has talked to other on-line services beyond **CompuServe**, like **America Online** and the **Microsoft Network**, about distributing Entertainment Drive for a fee.

CompuServe's response to such breakaway stirrings? A pragmatic nod to the changed terms of trade in the on-line business. A few weeks ago, **CompuServe** agreed to make a multimillion-dollar investment in Entertainment Drive, for a minority stake, and to let Mr. Bolanos's site seek deals with other distributors.

"We don't own Entertainment Drive, and we don't control them," said Robert J. Massey, president of **CompuServe**, a unit of **H & R Block Inc.**

If an on-line site is an audience-builder, it has bargaining power these days. Of **CompuServe's** more than 2,000 offerings, Mr. Massey noted, Entertainment Drive ranks among the top five in attracting customers and is the fastest-growing.

"It's a valuable franchise, and we'd like to share in the rewards if it becomes very, very successful," he said.

All of the traditional on-line services are scrambling to adapt their proprietary technology to the challenge from the Internet — as easier-to-use browsing tools, like **Netscape's** navigation software, have made the Web accessible to millions of personal computer users. All of the on-line services now offer Web browsers, trying to integrate their in-house technology with the Internet.

Yet perhaps the bigger challenge will be the business issues raised by shifting a proprietary service toward the open-standards environment of the Internet. As on-line sites are increasingly offered on the Web, fewer and fewer of their offerings will be unique. What, then, will be the role of an on-line service other than as just another Internet access provider with its own look and browser?

Indeed, executives at the **Microsoft Corporation** admit that their notions of an on-line service changed considerably during their two-year preparation for the **Microsoft Network**, which began in August.

"We've moved to the view that most of the content is going to be on the Web," said Bill Miller, marketing director of the **Microsoft Network**. "So in the long run, the role of the on-line service is going to be as a guide, helping people around, and as a studio — a kind of supersite on the Internet."

On-line executives insist that the Web can be used as a competitive



Don Hogan Charles/The New York Times

Michael Bolanos, who is expanding his Entertainment Drive on-line forum beyond **CompuServe**.

Hosts of popular sites are taking their shows to the Web.

advantage, at least in the early going. "Customers see the Web stuff, and they say, 'Wow,'" said Ted Leonsis, a senior vice president of **America Online**. "They don't know we didn't create that content."

Some site hosts experimenting with the Web find that the on-line services and the Internet are very different environments for the user. David Gardner is the co-founder, with his brother Tom, of the **Motley Fool**, an irreverent personal-finance site on **America Online**. Since it began in August 1994, **Motley Fool** has added forums for sports, movies and culture, and it attracts 250,000 people a month.

The **Motley Fool** has built a Web site, which it intends to open by the end of the year. Currently, Mr. Gardner says, the on-line environment is better for full-fledged message boards and live chat.

"A big part of our future will depend on the Web, but so far the Web is mainly a publishing environment for reading," he said. "If you really want to participate, to communicate, A.O.L. is better."

At **Prodigy**, a unit of **I.B.M.** and **Sears, Roebuck & Company**, the strategy seems to be to create new offerings using Web tools, but allow users to gain access mainly through the on-line service.

Two months ago, for example, **Prodigy** started a Web site called **Living Digital**, about the people and culture of cyberspace.

"But it's a Web site that is hosted on **Prodigy**," explained Edward A. Bennett, president of **Prodigy**. "We keep it on **Prodigy** because that's where the money is."

No one has quite figured out how to turn the popularity of the Web into a money maker. But the on-line services seem to be assuming that the open tools of the Web will become the standard of cyberspace. So they are forced to let more of their offerings migrate to the Web, even if profits there are scarce now.

"That way, when the Web is ready, we'll be there," Mr. Bennett said.

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