SHAREWARE: AN ALTERNATIVE DISTRIBUTION MECHANISM
FOR PERSONAL COMPUTER SOFTWARE

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Abstract

The shareware marketplace is rapidly evolving. From a handful of authors in 1983 shareware has developed into a $15 million business sector in 1989 with a multifaceted distribution channel. This paper will review the shareware marketplace with a focus on this distribution network which has developed to get programs from the authors to personal computer users. The causes of channel conflicts and the emergence of a channel leader are discussed.

INTRODUCTION

Most papers which attempt to link the literature to a marketing situation begin with a review of the important conceptual issues found in recent journal articles. This is reasonable when the general characteristics of the product market are recognized by most readers. Because the shareware market is so unusual I will start by describing the marketplace before turning to the literature.

The term shareware describes a method of distributing personal computer software. It also is the name given to the software which is distributed by this method. Shareware programs are available at little or no cost to personal computer users who want to try them (Baker and Hofacker 1989, p. 298). If the user decides to continue to use the shareware product then they are asked to register it with the author/publisher at a cost which is usually substantially less than the equivalent conventional software program (Ruhl 1988). Typical registration fees are $5 to $90 although the publishers of several larger programs request over $100. This low price is possible because the shareware publisher spends very little on advertising and distribution of their programs. Instead they encourage computer users to copy their programs and share them with other users. In order to achieve the widest possible distribution at a very low cost publishers also send them to pc user groups and put their programs on electronic bulletin boards where anyone with a modem can download and try them.

Thus, the essential elements of shareware are:
1. Try before you buy
2. Sharing encouraged
3. Wide distribution
4. Low price to adopters

This paper will investigate the shareware industry including the people who write the programs, the pc owners who use shareware and the distribution system which connects publishers with users.

Data sources for this paper include a telephone survey of major shareware authors/publishers, another round of telephone interviews with shareware vendors, and several field site visits to the largest publishers and vendors in the industry. Additional insights were derived from in person and telephone interviews with officers of the Association of Shareware Professionals (ASP), the industry trade association, and with several user groups and bulletin board operators.

A BRIEF HISTORY OF THE DEVELOPMENT OF THE SHAREWARE INDUSTRY

The typical, early –1982 to 1985 –shareware products were conceived by an off-duty programmer who wasn't satisfied with the commercial products which were available to do a computing task. In their spare time or as a break from their graduate studies these programmers usually developed a small, simple, solution to a computing problem and then gave a copy to their friends who gave copies to their friends. Eventually the requests for copies grew and convinced the authors that they should start a part-time software business. Thus, for many of the earliest shareware authors the sharing mode of distribution was the most natural way of distributing their product. Few of these early innovators had experience with the marketing aspects of pc software. Because of this and the part-time nature of the enterprise they were happy to continue to focus on improving their product and not make large up-front expenditures for advertising and distribution. Others who had developed software programs were even more reluctant to participate in the software marketplace. These authors relinquished their exclusive rights to their programs by turning them over to the public domain for anyone to alter, modify and use without obligation. In contrast, shareware authors hold the copyrights to their programs. They encourage copying of the programs but expect users to register them if they use and like the product (Glossbrenner 1989).

In the period 1985-86 there was an explosion of new shareware products. Many had heard of the successes in the industry and were attracted by the low start up costs compared to the conventional distribution and promotion mechanisms. Although most of the authors who developed shareware products during this second wave of programs had programming backgrounds, there were several new authors who were lawyers, teachers, and others who had a new product idea and enough programming skills to develop a usable program. During this period several shareware products were favorably compared to conventional software programs in computer magazine articles and discussions were begun within the shareware industry about the need to form an industry trade association.

By 1985 several of the early authors had already left their other jobs to devote full time to their shareware activities and their publishing organizations are no longer housed in their garages. Several publishers had over 10 employees, greater than $500,000 in annual sales and a few came out with additions to their product lines.

More explosive growth has occurred in shareware since 1985. Although there are no industry wide statistics, Jim Button, an industry leader has estimated that direct revenues to shareware authors in 1989 will be $15 million (PC-SIG 1989b, p. 9). This does not include the money collected by the many independent disk vendors.

IMPORTANCE OF DISTRIBUTION

Shareware is one of the few products whose most distinguishing characteristic is its distribution mechanism. For shareware this focus on the distribution mechanism is possible because of how easily and cheaply programs can be copied. For the conventional software publisher this ease of copying has been a constant problem. In the past they tried to discourage the unauthorized duplication of copyrighted programs by instituting a variety of copy protection schemes. These were so unpopular with pc users that in the current conventional software marketplace few programs are still copy protected. However, for shareware publishers this ease of copying is the basic element which determines how the programs are distributed.

The basic methods by which pc users get access to shareware products are illustrated in Figure 1.

Figure 1

Shareware Channel of Distribution

Legend
————————— Programs on disks
— — — — — Registration Fees
═══════════ Disk Duplication Fees
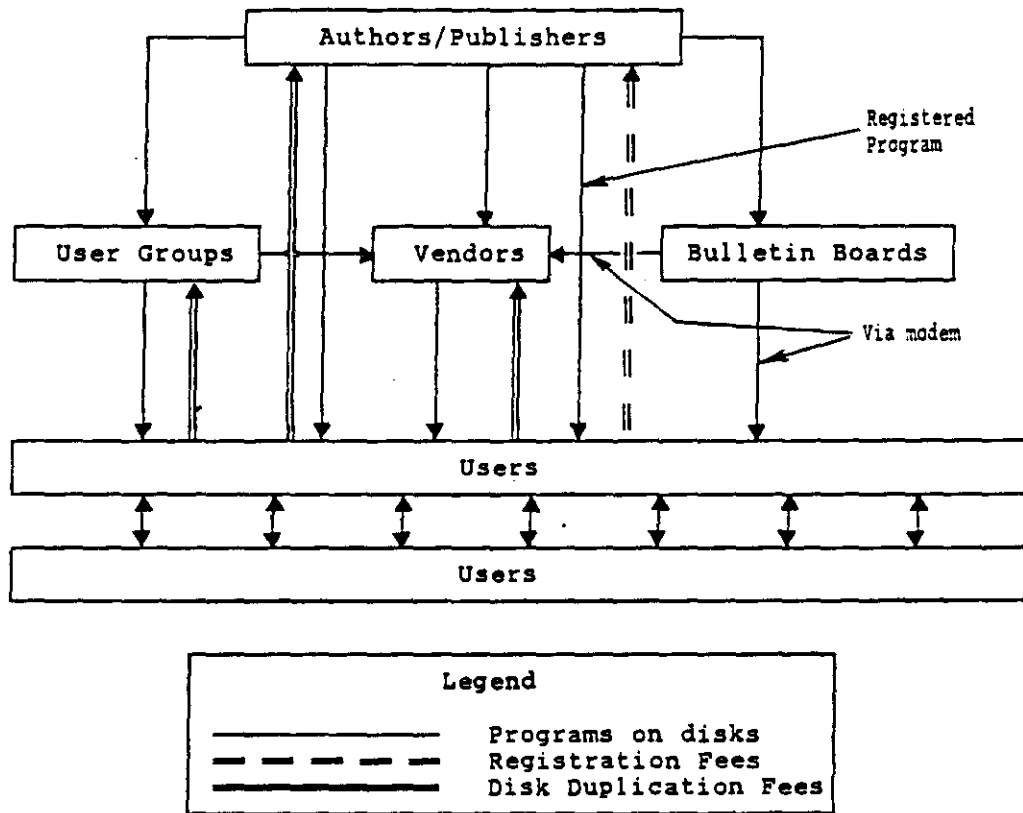
.The first shareware programs were distributed by their authors on disks which were given to their friends, relatives, and colleagues. Programmers also put them on bulletin boards where other computer enthusiasts could download them over the telephone lines through the use of a modem. These downloaded trial programs were also copied and shared among pc users.

As the number of available programs grew, a larger distribution system was also evolving. Paralleling the growth of the pc industry, pc user groups were proliferating (Sullivan 1986: Ryan 1987) and public bulletin boards were coming on line in every part of the country (Bermant 1988). Authors were also making their programs more available to those with modems through several large, on-line, information services such as CompuServe and The Source (Glossbrenner 1984). If the user likes the program and continues to use it they are requested to send a registration fee to the author for which they will usually receive the latest version of the program and a printed manual.

In the early 1980's several pc user groups and other individual pc enthusiasts began to collect libraries of public domain and shareware programs and made them available to the public. Typically these vendors printed a catalogue and by mail sold disks of unregistered programs for between $2 and $6 per disk. In his book titled "How to Get Free Software" (1984) Alfred Glossbrenner lists the major groups with the largest collections of free public domain and shareware programs for Apple, Commodore, IBM and other types of computers and operating systems. In this 1984 list the largest IBM collection was available from the PC System Interest Group (PC-SIG)which was described as "one of the best organized,

most comprehensive, lowest priced, free software distribution mechanisms we have encountered anywhere." (Glossbrenner 1984, p. 161) This IBM specific source contained over 135 disks in 1984 which were listed in a 110 page catalogue. In 1989 PC-SIG has a library of over 1500 disks which were described in a 417 page catalogue called "The PC-SIG Encyclopedia of Shareware." (1989a) PC-Sig also offers its entire collection on a CD-ROMcompact disk for $495.

In 1985 a few other companies including The Public Software Library and Public Brand Software had also acquired large shareware library collections and were offering to send copies of shareware programs by mail. However, there was little notice of these vendors outside of the user groups and bulletin boards domain.

Starting in 1986 there was a dramatic increase in the number of mail order libraries of shareware products. Many acquired their collections from bulletin boards while others only included programs which had been sent to them by the publishers. Advertising by these smaller vendors began to appear in the classified sections of magazines targeted to pc users such as PC World and PC Week. Before long these vendors were taking large ads in these and other pc magazines offering their disks at substantially lower prices than the more established vendors. A new type of retailer had arrived in the shareware channel of distribution.

While this brief description tells how the shareware distribution channel developed it does not attempt to determine why it developed that way. In the sections which follow I will use concepts from the literature on channels of distribution to analyze the development of the shareware marketplace.

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SHAREWARE DISTRIBUTION CHANNELS: DO THEY FOLLOW
CONVENTIONAL WISDOM?

Several pieces of conventional wisdom appear to be illustrated as shareware channels of distribution have developed. These are reviewed below.

1) Undercapitalized and emerging products use ancillary or alternative distribution structures. While the rest of the software industry was bemoaning the unauthorized duplication of software the shareware authors were encouraging users to copy and freely distribute their product. Downloading from bulletin boards must also be considered a unique and alternative distribution mechanism.

2) Middlemen appear when the product begins to demonstrate economic viability. Early in the history of shareware there were many programs entered into the marketplace but not many vendors. When several programs started to achieve widespread distribution, many more vendors appeared.

3) More conventional distributors will be used as the product market grows. Several shareware products are now sold by the larger retail chains. Egghead Software for example now carries PC-Write, AUTOMENU, PC-File, and other best selling shareware products. This trading up to the more conventional distribution process is similar to the one described for retailers by Hollander (1960).

4) The channel length is short for new products. New products tend to be sold directly to the consumer or through a single middleman. This accurately describes the shareware situation where initially distribution consisted of pc users copying their friends disks. I consider this type of sharing such a low impedance, low cost segment of the channel that it is essentially direct. The downloading of programs from bulletin boards is also low impedance because both the bulletin board operator and the user incur little cost in acquiring programs. Libraries of shareware which distribute copies through the mail have significantly lengthened the channel and increased the cost to the consumer for trying shareware products.

CONFLICT WITHIN THE CHANNEL

This final section on the distribution of shareware will review the intrachannel conflicts which have occurred and the origins of these conflicts. It will also discuss the mechanisms which are acting to resolve these conflicts.

Conflict within distribution networks occur in three areas. These are goal incompatibility, domain dissensus, and differing perceptions of reality (Stern and El-Ansary 1988; Etgar 1979; Rosenberg and Stern 1971). The shareware channel has exhibited relatively little conflict due to to first two of these areas: incompatibilities over goals or disagreements about each channel members area of domain. However, there have been some conflicts over the differing perceptions among channel members. Below I will look at these three areas of conflict in more detail.

Goal Incompatibilities and Domain Dissensus

Each channel member has a set of goals and they will often be incompatible with those of other channel members. These incompatible goals will be more likely to cause conflict when there is a high degree of functional interdependence. Compared to most channel systems there appears to be little functional interdependence within the shareware channel. Recall from Figure 1 that the channel which gets the shareware program to the consumer includes publishers/authors, vendors, user groups, bulletin boards and the users sharing programs among themselves. The only exchange between the authors and bulletin board operators and user groups occurs when authors send them a single copy of the disk containing the shareware program. Vendors may also acquire programs directly from the authors but alternatively they can rely on bulletin boards, user groups, or friends as their source of programs. Neither vendors, bulletin boards or user groups pay any fees to authors nor do authors have any direct input to vendor marketing decisions except to prohibit the vendor or anyone else from charging more than a certain amount (usually $6 maximum) to reproduce and distribute the program.

Because of this lack of functional interdependence there have not been many disagreements over goals. For the same reason there is little domain dissensus. Each participants role in the channel is clear. Publishers are content to let the vendors, user groups and bulletin boards perform the distribution functions. Neither the authors nor the distributors have much power over the other. Authors may prefer not to have certain vendors distribute their program. But because distributors can receive programs from more than one source including other distributors the authors cannot easily choose a selective distribution policy. Thus, individually the publishers have little power in the channel and there are few arguments about who is to perform which functions.

Differing Perceptions of Reality

While there is relatively little conflict in each of the preceding areas, major frustrations and conflicts arise in the third area which has to do with how the product is perceived by the vendors and how they advertise shareware. Even PC-SIG, the first major vendor and until recently the largest one, has had conflict with publishers over how to describe shareware in its catalogue and bi-monthly magazine. Many authors thought that PC-SIG was not being explicit enough about the economics of shareware. They wanted more emphasis on the fact that if users continued to compute with the program which they had purchased from PC-SIG for $6 per disk, then they should register the disk with the author. Of course this also had to do with a basic difference in goals. The publishers are interested in having users register their programs and wanted this concept explained by PC-SIG. The central issue for PC-SIG was distribution of trial disks which might be inhibited by quoting registration fees in their advertisements.

Vendors who entered the market more recently have been even more problematic for the authors in the area of perceptions. Authors decry the way these mail-order sources advertise. A major complaint of shareware authors is that the vendors description of shareware are either non-existent, or misleading. They refer to the programs as free software or public domain software while most of the products which vendors were listing in their ads are shareware products.

EMERGENCE OF A CHANNEL LEADER

PC-SIG, the largest distributor of shareware, has been influential in the channel. It has facilitated communication between shareware users and publishers by publishing letters and columns in its Shareware Magazine. PC-SIG has power in the channel because of its ability to select programs to be included in its catalogue and to be reviewed in its magazine. However, while shareware authors want PC-SIG to choose their programs for inclusion in their catalogue they have never accepted PC-SIG as the channel leader.

In 1987 the Association of Shareware Professionals (ASP) was formed and rapidly became the most important and powerful organization in the shareware channel. As Stern and El-Ansary (1988) point out it is not unusual for a trade association to participate and provide leadership in a channel. What was unusual was how rapidly and effectively the publishers organized and asserted themselves as a primary spokesperson for the shareware industry. The ASP intervened twice in the distribution channel. First, they developed standards for its members in programming, marketing, and program support. Next, the ASP developed a set of guidelines for vendors which are designed to coerce vendors to accurately identify and explain the nature of shareware. If a vendor wishes to be approved by the ASP they must agree to adhere to these guidelines.

In addition to the coercion of vendors, the ASP has also adopted some co-option techniques to help manage the channel conflict. While full membership in the ASP is limited to programmers with a serious shareware product, vendors may join as associate members. The ASP also tried to encourage cooperation within the distribution channel by including the vendors in their deliberations about vendor relations. "ASP members meet in a 'continuous' electronic meeting, on-line via CompuServe" (Shareware Magazine, Nov.-Dec. 1989, p.38). As the ASP was developing their guidelines the vendors were encouraged to participate in this electronic forum which constitutes what the ASP calls the worlds' longest ongoing Board meeting.

CONCLUSION

Conventional wisdom about the development of channels of distribution was shown to be accurate in describing the way the organizations in the shareware industry have evolved. Because shareware incorporates a try before you buy concept there are actually two overlapping channels. The first includes the mechanism by which the customer first acquires a copy of the program. The other focuses on how the users receives a registered copy of the program. The first channel is more interesting from a distribution perspective because it includes the publishers, a variety of intermediate distributors, and the consumer. Another interesting aspect of this exchange is that the program publisher derives no immediate benefit from it.

For the second exchange, which usually only includes the publishers and the satisfied program users, the most important issue concerns the decision to voluntarily register the program. This exchange will be the subject of a forthcoming paper.

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