Info Co-op Outline

Draft by [Mark Latham](#) as of 2014-08-28.

Summary:

This paper proposes creating an information users' [cooperative](#) to develop and manage an online system for buying and selling information. This could be useful for a broad range of types of information. As an example and starting point, we could consider info helpful to retail consumers in a given city such as Vancouver, Canada: E.g. where are the best bargains today on telecom services, banking, gasoline or whatever? There are [free websites](#) with info like this, but paying for it should generate more useful info.

If the market infrastructure provided by the co-op is efficient, then the system could expand globally to many types of info, including software. It could also generate monitoring info to reduce corruption in organizations.

Background:

This paper outlines an implementation strategy for ideas I proposed in a November 2012 paper: [Global Software Users' Co-op](#). The meanings of "info" and "software" overlap a great deal, and are synonymous in many contexts. But whereas my 2012 paper was oriented mainly toward computer software, the strategy proposed here starts with info about consumer bargains, for which the term "info" fits better than "software". The 2012 paper included some analysis of the economics of information, so I will skip most of that here, and proceed to the system design proposal.

Info Market Design:

Although information markets are already well evolved, I propose a new design that enables a large group of info users to pay *as a unified group*, in a competitive market structure that helps them get a better deal (low price, high quality-times-quantity). The user group buys from several competing information producer/aggregators which I will call "channels". Like TV channels, they might produce some of their content, and/or buy content from others. Members vote to allocate a limited budget of members' pooled funds among the competing channels. Crucial features of this market design include:

> 1. It's easy for new channels to enter the competition as info sellers to the user group.
>
> 2. It's a [repeated game](#) that continues indefinitely, not just a one-time sale of a piece of info. So channels can build their reputations over time, for providing good quality info.

I originally developed this market design (now called votermedia) to pay for voter information, which would help reduce corruption in large organizations like corporations, democracies and co-ops -- see [votermedia.org/publications](#). [My 2012 paper](#) generalized that to software.

Organize as a Co-op or a Corporation?:

Although the organizer of this info market could be a corporation, I think it would create more social benefit to organize as a co-op, as long as the co-op's governance ensures accountability to members. I

examined the governance of co-ops in a paper We Want Our Co-ops Back, and outlined ways of improving accountability. To that end, I proposed votermedia as an effective mechanism. Since info co-op members would use votermedia to buy information, the info channels can be expected to include info that helps co-op members monitor their board of directors. Thus we can expect the co-op to serve members' interests loyally.

Design for Info Co-op 1.0:

Like any new online business model, we can expect many iterations of beta release, user feedback, design modification etc. Here are some ideas for the first release:

Target market: Metro Vancouver (Canada) area residents. So the co-op would probably incorporate under the British Columbia Co-op Act.

Types of content: This will be decided mainly by the competing channels, but for planning and marketing purposes, it helps to anticipate what types of info our co-op is likely to provide. Since we are asking members to pay, one likely type is info that helps members save money. E.g. this could be on groceries, telecom services, gasoline, banking or whatever most people spend money on. (The Vancouver Deals Blog is a free example. The author could sell access to a premium version of that website via our co-op.) Some channels are likely to provide reviews assessing the value of other channels' contributions, and with convenient navigation links to their content. Some channels may review the management of the co-op itself, and its director election candidates.

Cost to Members: Start with a low fee of e.g. $1 per month, to help grow membership. Later we can offer higher-price, higher-quality-quantity options.

Payments to Info Channels: Members would vote to allocate funds among competing channels, using a ballot like votermedia.org/vancouver. Each member can vote at any time, and funds are allocated daily. The allocation algorithm is not simply proportional to the number of votes. Rather, some degree of consensus among voters is required, and it is quite possible for a channel to receive no funds -- details at votermedia.org/faqs#Voting. The funds come mainly from member fees. I plan to donate some funds to get the market started.

How Members Access Info: Member login is required to access info that channels provide. (They are likely to provide some free public info too, which can help promote their reputation to the public, and attract some to join the co-op to access the paid-login-required info.) Channels would probably build their own custom websites (and other media like mobile apps, email services etc.). The co-op would build a shared login system similar to Facebook's, to enable a single seamless login for members on all channel sites. To help new channels get started, the co-op could provide templates for channel websites, and/or space on the co-op website to display content.

Crowd-Sourced Info: The co-op could add a feature to its mobile app that would enable members to contribute info. For example, a member spots a bargain at a grocery store, takes photos of it (price, bar code, description, the item itself, geo-tagged, time-stamped) and submits them to the co-op. Member can set options like whether to offer it exclusively to one channel, whether they want to be paid for the info, etc. A channel receiving info decides whether to use it, whether to pay for it, how to edit it into their website etc. This member participation feature could add a "game" component to the system, which could attract more members.

Starting a New Channel: To enhance competition for the benefit of members, it should be easy for new

channels to enter the co-op's system. On the other hand, too many channels could clutter the system, especially if many are of low quality. To balance these two factors, the co-op should probably charge channels a small monthly fee, like $1. Our tests of votermedia's consensus voting system find that typically only 5 to 10 competitors get funded. That is enough to ensure a competitive market, but not so many as to overtax voters. This will induce some smaller channels to merge and form larger ones. Some info producers may find the co-op a useful test market that provides valuable feedback by voting and commenting. This could be a source of fee revenue and low-cost info for the co-op.

Laissez-Faire for Channels: This system is designed to empower member-voters, and thus does not depend on much discretionary power of the info market administrators. So for example, there is no requirement or restriction on what info the channels provide. We can market it to members and channels as a Vancouver area consumer info contest; but then it's up to the channels to decide exactly what info to supply, up to the public to decide whether to become members, and up to members to decide how much to reward each channel. Other laissez-faire options: channels could include advertising; they could try to up-sell members with premium info offerings beyond what they sell to the co-op; they could also charge user fees, which can help them cover any marginal costs of usage.

Micropayment Systems: Creating the micropayment systems for implementing the above features could pave the way toward other micropayment applications that benefit members. Note that Kenya's M-Pesa money transfer system began spontaneously when cell phone users started transferring cell phone airtime credits.

Compare to Apple's App Store: With the above design, an info co-op could be compared with Apple's app store -- a shared infrastructure that makes it easy for software creators to market their work, and for users to pay small amounts of money to use the software. Such a competitive market can benefit all participants -- buyers and sellers. The key difference is that info co-op payments are by community consensus, all community members pay for info together, and all can use the info; whereas the Apple store, like most software markets, organizes separate payments and software access by each individual user. As membership in an info co-op grows, it becomes closer and closer to being free software, except that software creators get paid for their work.

Startup Costs: Starting a co-op from scratch can take years of self-sacrifice by a group of idealistic volunteers. They must persuade many people to buy one share each, before the organization is large enough to efficiently supply its services in a competitive market. Co-ops lack the financial incentives of for-profit startups, which can reward early investors with a chance of large future rewards. Fortunately there seem to be some idealistic software developers in Vancouver, willing to donate time and expertise to such a project. I am also willing to donate some funds. When the co-op starts to generate a surplus, we could start to pay staff/management/directors via the votermedia competition itself: Members could vote to fund the team of people who run the co-op. Or similarly, some channels could also provide software and services for running the co-op.

Info Co-op 2.0 and Beyond:

If this new info market design works, then it can generate a surplus which the co-op can use to fund system development and growth. Besides increasing the number of members and quantity of useful information generated, there are several possible directions for growth. One obvious direction is toward higher monthly member fees, which would generate greater quality-times-quantity of info. One dollar per month is rather minimal.

Ideally, the co-op should offer members a choice of price levels. Maybe there's a way it could be offered as

a continuous range from free to as high as you want, but I haven't (yet) figured out a good way to do that. For now, the most straightforward way I can think of is to offer two (or more) separate funding pools. For example, once the initial $1/month pool is self-financing and growing, we could offer a $5/month pool with the same design. Channels could sell to both pools by having two levels of content with login access coded by which pool(s) a member is paying into. Typically the $1 info would be a subset of the $5 info, though that need not necessarily be the case.

Another direction for growth is to define other common interests than Vancouver consumers, and create separate funding pools for them, or separate co-ops for them: Other metropolitan areas could be served. Likewise larger regional interest groups -- provincial, national, global. Likewise non-geographical groups, such as people interested in a given type of software (e.g. word processor) or interested in a specific corporation (as shareowners, employees, customers). If the corporation provides the info funding and it is allocated by shareowners, then the info would serve the shareowners' interests -- a system I advocated in several papers such as Proxy Voting Brand Competition (section 3).

A successful info co-op could help to spawn other types of co-ops with accountable governance, especially in businesses that require substantial software development, such as credit unions and telecommunications.