

Study of Digital Magazine and Newspaper Publishing in Canada

FINAL REPORT

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Executive Summary

Over the course of the past decade magazine and newspaper publishers have increasingly embraced digital delivery formats such as websites and email. Initially, digital delivery was used primarily to complement publications' print arms, but over time some publishers have increasingly employed digital platforms exclusively – to both replace print distribution for former print publications and as the sole distribution method for newly-launched publications.

The increased use of digital technologies to distribute magazines and newspapers in favour of print distribution has given rise to a new, significant sub-sector of Canada's magazine and newspaper industry: digital-only publications. Publishers operating on a digital-only basis enjoy many benefits afforded by digital technologies, including: low barriers to entry; relative cost savings; and distribution efficiencies, particularly for publishing breaking news.

These publishers, however, also face many challenges associated with operating in a relatively nascent sector, such as: establishing viable business models; attracting capital to finance business growth initiatives; and adequately monetizing their audience with advertisers. In addition, aside from a few exceptions, digital-only publications are not currently eligible for membership in industry associations. They also have limited access to funding programs compared with print publications.

Many of the challenges faced by digital-only publications result from a lack of consensus on issues such as how to define the industry and how best to track readership levels. Distinct parameters for defining digital-only publications would distinguish these publications from other digital content like personal blogs and corporate websites, and could therefore be used to preserve the integrity of industry associations or funding programs. Developing commonly accepted readership measurement standards would provide consistency for advertisers and level the playing field for determining appropriate advertising values. Addressing such key issues would provide additional clarity and advantages to publishers as the digital-only publishing sector continues to grow.

Defining Digital Publications

Determining distinct parameters for defining digital publications helps add clarity to a previously undefined industry and provides a useful starting point for industry research. Accordingly, common inclusion criteria drawn from magazine and newspaper definitions used

by Canadian Heritage, industry associations and other associated bodies¹, as well as definitions used in the digital landscape, help formulate working definitions for digital newspapers and digital magazines.

The proposed definitions presented below are – as much as possible – based on existing criteria for print magazines and newspapers. However, because digital distribution alters the nature of characteristics that commonly distinguish magazines and newspapers from each other (e.g. publishing schedule, geography and appearance), it is more relevant to adopt a single definition for **digital publications**.

The definition for digital publications is presented in three steps. It begins with a broad one-step definition that is inclusive of all digital publications. The second step further narrows the initial definition to include only Canadian and digital-only publications. Finally, the third step suggests criteria to be used to help further qualify the content, editorial professionalism, business model and market success levels that may be necessary for inclusion in an industry association or for eligibility for a funding program. These suggested criteria could be used as mandatory conditions or as part of a scale approach to suit the users' needs.

The three step definition for a Canadian Digital-Only Publication is:

Digital Publication

“Primarily text, photographic and illustrated editorial content delivered via a website, download or email that is published on a regularly scheduled basis under a common title and governed by an editorial function.”



Canadian	Digital-Only
A minimum of 80% of content must be Canadian authored or created; Publication (or parent organization) must be at least 51% Canadian-owned. ²	Does not appear in print publication.



¹ Funding agencies and industry awards.

² Ownership could also contain further refinements such as being incorporated or headquartered in Canada.

Suggested Eligibility Conditions

Content

Editorial content must be primarily original;
A majority of all content (editorial and other³) must be original;
Editorial content is identifiably created by more than one person.

Delivery, distribution and business model

Maintains a regular publishing or update schedule (not less than six times per year);
Has a third-party revenue stream (e.g. subscriptions, advertising, donations).

Editorial professionalism

Presents a clearly displayed masthead or equivalent (e.g. contact information identifying by name the individuals responsible for the publication's content);
Maintains an editorial control system where the editor is named.

Market success, or wantedness

If a paid subscription service: maintains an average of 500 subscribers over a period of six months;
If an email-based service: maintains an average of 2,000 registered email recipients over a period of six months;
If an open-access service: maintains an average of 5,000 unique monthly visitors over a period of six months.

Distribution and Business Models

Canadian digital-only publications generally operate using one of three distribution models, one of four cost models and one of five revenue models. There are generally multiple business models available to each distribution model.

Distribution

A sample of 17 Canadian digital-only publications⁴ (table 1 below) reveals that all digital-only publications use a website and two thirds use email as part of their distribution strategy. Websites and email provide the basis for the delivery models of nearly all digital-only

³ Games, video, etc.

⁴ While data from 17 publications is not completely representative of an industry with more than 120, it provides insight into common distribution trends.

publications, while RSS feeds, mobile, video and podcasts are employed primarily in a complementary fashion.

Table 1: Digital-only publication delivery format preferences

	Website	Email	RSS	PDF/Digital Edition	Mobile	Video	Podcast
Using	100%	67%	33%	6%	6%	6%	6%
Considering	N/A	6%	6%	0%	28%	33%	17%

Websites and email are generally used in one of three ways to circulate digital editorial content. These common distribution models are:

- **Open access** to content (including free subscription access);
- **Scheduled email delivery** of content; and
- **Paid subscription access** to content.

Given the flexibility of digital distribution, each of the primary distribution models can employ multiple principal digital formats. For instance, readers to a publication providing paid subscription access to content may receive content through an email or after logging into a website.

As well, publications that use the scheduled email delivery of content model almost always publish the same content to their website as well. What therefore distinguishes these publications from those using an open access model is that a majority of their readers consume the content through an email without ever linking back to the main website.

Costs

Digital-only publications operate by-and-large without the high physical printing, distribution and administrative overhead costs of print magazines and newspapers. As a result, labour is the major cost for most digital publications, with most operational costs being directly attributed to the labour involved. Digital-only publications' cost models differ based on the principal type of labour they use, be it: **volunteers**; **freelancers**; **employees**; or a **mix** of all three.

Website design and administration is largest start-up expense, and remains the second-largest operating expense, of digital-only publications. Overall, digital-only publications devote on average about 28% of their revenue to website design and administration, which includes not only the physical appearance of the digital publication, but also navigation architecture, security features and archives. This expenditure is eclipsed only by **content**

production and management, which absorbs on average approximately 48% of revenues. Content production costs vary greatly based on the labour model from 0% for a publication using a volunteer-based model, to around 65% for an employee-based publication and approximately 40% for one that primarily employs freelancers.

The only other major cost – more than 10% of revenue – reported by digital-only publications is **marketing and advertising**, which on average absorbs roughly 13% of revenue. **Administrative/Overhead** costs tend to be low (6%) because a large portion of digital-only publications are home-based businesses, and **other office staff** (4%) and **professional fees** (3%) are generally nearly negligible cost items.

Revenue Sources

Advertising is the most common revenue source for digital-only publications, be it through a **cost per thousand** (CPM), **cost per click** (CPC) or **sponsored space** model. The two other prevalent business models are **public, charitable or corporate funding** and a **mix** of multiple funding sources.

On average, CPM advertising accounts for approximately 44% of revenue, followed by roughly 34% from sponsored space, 9% from CPC, 8% from funding and 3% from paid subscription. Averages, however, do not paint an accurate picture of the industry as most digital publications rely heavily on one source of revenue. For example, digital-only publications using the CPM model accrue around 94% of their revenue from that source, 95% for CPC publications, 90% for sponsored space publications and 90% for funded publications.

Only the mixed model relies on a more even distribution of revenue sources. Publications operating in this model include those that generate subscription revenue. It follows that digital-only publications using a paid subscription distribution model need to, and can, attract other sources of revenue outside of subscription fees.

Although nearly 80% of digital-only publications rely solely on some form of advertising for 100% of their revenue, digital publishers commonly identify their ability to attract advertising as a weakness. Advertisers, generally, do not value the audiences to digital publications as highly as they do for the readership to print publications. This attitude severely challenges an industry that relies so heavily on advertising revenue. Part of the problem stems from myriad distribution models, business models and measurement tools that make it difficult to develop commonly accepted audience measurement standards. It is ironic, however, that the tools available to measure readers of digital publications are far more precise than anything that has

ever been available for print publications, yet digital publications continue to struggle to monetize their audiences.

Therefore, arriving at commonly accepted industry parameters for audience measurement represents a vital step in bringing the advertising inventory of digital-only publications in line with that of print publications and to spur organic industry growth. Canadian digital-only publications are struggling in the current environment, which is evidenced by the fact that they averaged a net loss of 3% last year.

Current and Forecast Digital-Only Publishing Activity in Canada

In spite of their relative challenges to attract significant revenue, Canada’s digital-only publishers have developed a significant industry in terms of number of digital-only publications. Research into the industry identified 120 Canadian digital-only publications. As table two below illustrates, these publications are: heavily clustered in the major centres of the Greater Toronto Area (GTA), Montreal, Vancouver and Ottawa; majority English-language; and largely Special Interest Consumer publications.

Table 2: Canadian Digital-Only Publications, Industry Profile

Category	# of Publications	Category	# of Publications
Language		Office Headquarters	
English	96	GTA	40
French	10	Ottawa	10
Bilingual	14	Ontario Other	10
Content Type		Montreal	24
Special Interest Consumer	83	Other Quebec	1
Campus	7	Vancouver	10
Business, professional or Trade	12	Other BC	4
Farm	1	Atlantic Region	5
General interest consumer	8	Prairie Region	5
Scholarly	7	Unknown	11
Total		120	

Canada’s digital-only publishers are generally optimistic about their growth opportunities in the coming years, and they should be. While it’s difficult to quantify forecasted activity in Canada’s digital-only publishing industry over the next two to three years, it is evident that the industry will experience growth during that time. This industry expansion will be fuelled by two growth streams:

- Marketing initiatives by existing and new publishers, including publication launches and promotion of existing digital publications; and
- Second widow opportunities for existing print publications.

Growth will be more noticeable in the number of digital-only publications that enter the market, but overall revenue should increase modestly as well. As discussed above, revenue growth will be partially linked to the industry's ability to develop commonly accepted audience measurement parameters and therefore more adequately monetize readership.

As digital-only publications streamline their readership tracking processes, they will be further poised to benefit from predicted increases in global digital advertising revenue. According to PricewaterhouseCoopers, global advertising on magazine websites will grow from \$1.3 billion in 2008 to \$3.1 billion in 2013, a CAGR⁵ of 18.5% to 2012⁶. This will result in digital advertising increasing its share of the total global magazine advertising spend from 3.8% to 9.3% by 2013. Additional advertising revenue will increase budgets for marketing and promotion initiatives, which should in turn increase readership levels and generate organic growth.

The digital-only publications industry also appears well situated to weather the current recession. In fact, the recession may actually fuel industry growth. A recent estimate of US advertising revenues projects major declines in ad spending in 2009 for all traditional media – newspaper (-29.5%), TV (-14.4%), magazines (-18.3%) and radio (-21.0%) – while online advertising revenue is expected to decline by only 2.2% this year.⁷

Declines in newspaper and magazine ad revenue will further increase the number of publications that shift to digital-only distribution. As well, a host of newly unemployed writers, editors and publishers will almost certainly launch new digital-only titles due to the relatively low barriers to enter the industry.

⁵ Compound Annual Growth Rate.

⁶ PwC, *Global Entertainment & Media Outlook 2009-2013*.

⁷ Source: <http://www.emarketer.com/Article.aspx?R=1007199>

1 Background

Traditional media practitioners have increasingly distributed their content through digital platforms throughout the past decade, affecting the way Canadian cultural products are produced and consumed. While the film, television and music industries have embraced digital technologies quicker than the publishing sector, new models for digital delivery of magazines and newspapers are beginning to emerge.

The most attractive benefit digital technology provides to new and existing publishers appears to be cost savings. Budding magazine and newspaper publishers embrace the Internet because of its lower barriers to entry and reduced financial risk when launching some new publications. Similarly, some former print publications have migrated exclusively to the digital environment because of the reduced production and distribution costs. As *MastheadOnline* – the former *Masthead Magazine*, which was a print trade publication for the Canadian magazine industry and is now strictly an online entity – noted in *Circ Watch 2008*, “Whatever the cost, if it is less than production and mailing, the economic benefit (and environmental benefit) of going digital is obvious.”⁸

Digital technology also provides many potential efficiencies for publishers. In terms of distribution, the Internet offers publishers unparalleled timely delivery and eliminates the need for printing and physical distribution in most cases. Many traditional print publishers leverage this factor by offering content online that supplements their print product. In this respect, the online environment presents additional brand building, marketing, advertising and subscription sales opportunities to print publishers.

Finally, digital publishing recognizes the new realities of the audiences for editorial content; the popularity of the Internet as a destination for news, sports, entertainment and other information will only continue to increase. The most respected journalism schools in the country, such as Ryerson and Carleton universities, also embrace this fact and now offer programs that teach the fundamentals of online journalism. This growing trend will only further improve the quality and reliability of the content delivered solely online.

In spite of the significant shift by newspaper and magazine publishers to digital technology, very little is known about the overall state of digital publishing in Canada. Even less is known about the state of the online-only⁹ publishing industry. As one of the lead industry supporters

⁸ Source: Marco Ursi, *Masthead*, *Digital Evolution: In trade circ the Internet rules—and that’s a good thing*.

⁹ Those publications not affiliated with a print edition.



through the Canada Magazine Fund and the Publications Assistance Program, and in 2010 through the new Canada Periodical Fund, the Department of Canadian Heritage (Canadian Heritage) is seeking a better understanding of digital activities in magazine and newspaper publishing in Canada to inform ongoing policy and program development. In light of this need for more information and insight, Canadian Heritage engaged Nordicity Group in association with PricewaterhouseCoopers to conduct a study of digital magazine and newspaper publishing in Canada, focusing on online-only publishers.

2 Defining Digital Publications

In 1964, United States Supreme Court Justice Potter Stewart attempted to define obscene content by saying, “I shall not today attempt further to define the kinds of material I understand to be embraced within that shorthand description; and perhaps I could never succeed in intelligibly doing so. But I know it when I see it.”¹⁰ Trying to define digital magazines and newspapers, or digital publications, poses much the same problem.

Defining primarily online entities as digital publications means distinguishing professional magazines and newspapers from a crowd of potential impostors, such as personal blogs and commercial and corporate websites. Although tempting, offering the “I know it when I see it” definition for digital publications provides little clarity for the industry. Therefore, unlike Justice Stewart, this study attempts to define the characteristics of digital publications.

This section begins by providing a broad definition of digital publications that includes various geographic locations, publication mandates, ownerships, or affiliations with a print-based publication. For the purposes of this study we then provide additional criteria to use in determining what is a Canadian digital-only publication. Finally, we suggest supplementary criteria to be used to help further qualify the content, editorial professionalism, business model and market success levels that may be necessary for inclusion in an industry association or for eligibility for a funding program.

To provide context to the definition, we question whether the distinction between magazines and newspapers remain valid in a digital publication context, and we examine how industry associations and other organizations are grappling with the definition of a digital publication – whether based on traditional concepts or more open, or inclusive, practices.

2.1 Defining a Canadian Digital-Only Publication

As it is a new and emerging media, it is useful to define digital publishing as a starting point for subsequent research and analysis. Accepting defining industry characteristics is also a necessary step in determining eligibility for potential funding programs should they be considered. Accordingly, the study team researched the publication definitions used by Canadian Heritage, industry associations and other associated bodies,¹¹ as well as definitions used in the digital landscape. Based on common inclusion criteria drawn from these

¹⁰ Source: <http://caselaw.lp.findlaw.com/scripts/getcase.pl?court=US&vol=378&invol=184>

¹¹ Funding agencies and industry awards.

definitions,¹² a working definition for a digital publication was formulated to be – as much as possible – in line with existing criteria for print publications. We begin with a broad definition as follows:

Digital Publication

“Primarily text, photographic and illustrated editorial content delivered via a website, download or email that is published on a regularly scheduled basis under a common title and governed by an editorial function.”

This broad definition includes both digital publications that are standalone as well as those that are affiliated with print-based publications. It is not limited to Canadian publications and it would be inclusive of blogs and commercial publications (advertorials) that maintain a minimum level of editorial quality and independence.

While the above broad definition provides a good starting point for examining the digital publishing industry, for the purposes of this study two further qualifications for digital publications were considered – first, that they need to be Canadian, and second, that they need to be digital-only (i.e. not electronic versions of existing print publications).

Canadian

A Canadian definition condition needs elaboration to take into account both Canadian content and Canadian ownership/control. Provisionally, the requirements for a digital publication to be considered Canadian can borrow from traditional print magazines as follows:

- A minimum of 80% of content must be Canadian authored or created;
- Publication (or parent organization) must be at least 51% Canadian-owned.¹³

Digital-only

A digital-only definition condition can be much more simply stated, and is as follows:

- Does not appear in print publication.

¹² A full matrix of definitions of publications is presented in Appendix C: Definitions of Magazines and Newspapers.

¹³ Ownership could also contain further refinements such as being incorporated or headquartered in Canada.

2.2 Potential Eligibility Criteria for Canadian Digital-Only Publications

The above suggested digital publication, Canadian and digital-only definition conditions are to be considered mandatory in the overall definition of a Canadian digital-only publication. However, it is recommended that additional criteria be considered to help further qualify the nature of a publication's purpose, content and business model to determine eligibility for a potential funding window or association membership. These suggested criteria are based on content; delivery, distribution and business model; editorial professionalism; and market success, or degree of 'wantedness.'

The following criteria are suggestions for requirements by Canadian Heritage based on the research of the study team. These criteria are not necessary conditions to meet to qualify *for funding*, as the purpose of this study was not to develop prescriptive measures.

For example, a scale approach based on a point system could be used to determine whether a Canadian digital-only publication would qualify for a possible funding allocation. Scale approaches are commonly used by funding agencies, such as the Canada Magazine Fund (CMF), to determine eligibility for funding. Under a scale approach a publication that does not appear in print and is assigned more than a threshold number of points would be considered as having met the test, and thus be eligible.

It is proposed that the following be considered as conditions for a Canadian digital-only publication to be considered eligible for support from a potential funding program:

Content

- Editorial content must be primarily original;
- A majority of all content (editorial and other¹⁴) must be original;
- Editorial content is identifiably created by more than one person.

Delivery, distribution and business model

- Maintains a regular publishing or update schedule (not less than six times per year);
- Has a third-party revenue stream (e.g. subscriptions, advertising, donations).

¹⁴ Games, video, etc.

Editorial professionalism

- Presents a clearly displayed masthead or equivalent (e.g. contact information identifying by name the individuals responsible for the publication's content);
- Maintains an editorial control system where the editor is named.

Market success (or wantedness)

- If a paid subscription service: maintains an average of 500 subscribers over a period of six months;
- If an email-based service: maintains an average of 2,000 registered email recipients over a period of six months;
- If an open-access service: maintains an average of 5,000 unique monthly visitors over a period of six months.¹⁵

Additional potential funding eligibility criteria

The suggested criteria discussed above are largely based on the existing funding criteria used by Canadian Heritage and other funding bodies. Additional funding eligibility criteria related to content type, publication age, publication purpose and other specifics could be considered. As they are less pertinent to this particular study, however, we have only listed them in Appendix B for reference purposes.

2.3 Magazines vs. Newspapers

Print magazines and newspapers are easily distinguished from one another in print form. In digital formats, however, the line separating a magazine from a newspaper becomes blurred. Therefore, it would appear that the distinctions of magazine and newspaper should be eliminated in the context of publishing in the digital world.

Print magazines and newspapers are largely differentiated from each other based on publishing schedule, geography, appearance and content. In this subsection these elements are discussed to illustrate how they become less relevant in the digital realm, and that it is not useful to make clear distinctions between magazines and newspapers.

¹⁵ To provide a basis of comparison for the suggested unique monthly visitors wantedness numbers, digital publications consulted for this study average about 100,000 unique visitors per month, with 10,000 to 15,000 representing the low end. Also, the top UK online magazine attracts more than 9 million unique visitors, with that number dropping to 1.4 million for the 10th most popular online magazine.

2.3.1 Publishing Schedule and Geography

Canadian Heritage uses the following definitions to classify magazines and community newspapers:

Magazine

- a printed publication that is commonly recognized as a magazine and appears in consecutively numbered or dated issues, and is published under a common title at regular intervals, not less than twice a year and not more than 56 times a year, including special issues;

Community newspaper

- a Canadian non-daily paid newspaper published at regular intervals under a common title and whose editorial content serves the information needs of a small geographic community;

It is clear from the two definitions above that Canadian Heritage largely distinguishes between magazines and newspapers based on their publishing schedule. Print magazines, in particular, cannot publish more than 56 times per year under these definitions. Of course in the digital world distribution options allow for publishing, or posting, on a daily or even hourly basis.

For example, Canadian digital publications *Cartt.ca* and *VitaminDaily.com* were both started by former print magazine professionals and built on the magazine business model. However, both publish content daily. In addition, *Cartt.ca* issues an email to subscribers announcing new editorial content twice a week and *VitaminDaily.com* issues an email to subscribers daily. Both publications offer special interest content typical of that found in print magazines, yet maintaining the print-world definitions would disqualify both from being considered “magazines”.

Similarly, a community newspaper is deemed to be non-daily and to serve the information needs of a small geographic community. Clearly, if a ‘community newspaper-like’ digital publication stuck to a publishing schedule befitting a printed operation, it would be unnecessarily handicapped. There is no rationale to stockpile content over the period of a week or month when a digital publication can update and deliver content on a much more frequent and timelier basis.

In terms of geography, many online publications still focus their editorial on the issues within a geographic region. However, their readership is never limited to that region as it is with a physical publication. By choosing digital distribution, regionally-focused online publications become de facto specialized information and news sources for readers from all jurisdictions.

2.3.2 Appearance and Content

Canadian Heritage's definitions of magazines and newspapers each include some conditions that address the distinct overall appearance of the two types of publications. Specifically, magazines are held to the qualifier of being "commonly recognized as a magazine," and newspapers are identified by having a "cover subdivided (articles and boxed photos)" and being "divided into detachable regular sections (news, analysis, entertainment, sports, etc.)." As with publishing schedule and geography, appearance and content conventions for magazines and newspapers do not hold up in the digital world.

Obviously, newspapers in the digital world forego the use of newsprint, which is perhaps the most defining characteristic of a newspaper. Online layout and reading practices also result in the elimination of the side-to-side, multi-column layout popular in most print newspapers.

A good example of an online newspaper is *TheMonitor.ca*, if only because it previously existed as a print newspaper. The community newspaper for West End Montreal, *TheMonitor.ca*'s articles are read top-to-bottom, not side-to-side. *TheMonitor.ca* does, however, retain the common newspaper characteristic of presenting articles under standard categories, including: Community Life; Local News; Arts & Life; Columns; etc. Other online publications including *CBC.ca* and *CTV.ca* also present content under standard categories, which suggests a potential option to differentiate online newspapers from magazines.

However, *TheTyee.ca* presents content under standard categories, yet describes itself as "your independent daily online magazine reaching every corner of B.C. and beyond," and is a member of the British Columbia Association of Magazine Publishers (BCAMP). Similarly, *Suite101.com* uses standard content categories while also describing itself as an "online magazine" and being a BCAMP member.

Finally, magazines and newspapers tend to offer different styles of content. Although a generalization, magazines are traditionally recognized for in-depth, reflective, and often specialized content. Newspapers are characterized by informative news and current events content. While the argument could be made that digital publications could be classified as

magazines or newspapers based on the type of content they publish, doing so would be extremely subjective and open to interpretation and debate.

2.4 Industry Recognition of Digital Publications/Periodicals

Consultation with industry associations, circulation auditors, and other industry bodies returned a broad spectrum of opinions on what is considered a digital publication/periodical. Although the industry is not entirely polarized, there are generally two views on how to define a digital publication:

- A **traditionally-based** definition that is more clearly defined, but subsequently more exclusive; and
- An **open** definition with parameters that account for new publishing models and are therefore more inclusive.

2.4.1 Traditionally-Based Definition

The traditionally-based approach to defining a digital publication is built around the two key criteria of periodical and wantedness. It is traditionally-based in that it advocates maintaining the conventional idea of periodical, whereby each issue of the publication is entirely (100%) different than the previous issue, as with print publications. Publications captured by this definition are often referred to as digital editions, and are usually digitized versions (such as a PDF) of print publications that can be viewed on a computer or other digital reading device. They do not have to be based on or affiliated with a print publication. However, at this time very few publishers have elected to publish a digital-only, distinct-copy publication.

Circulation of digital publications that meet these criteria is currently tracked by some circulation auditors. For instance, the Audit Bureau of Circulations (ABC) uses the following definition for “Digital Editions”:¹⁶

- A paid requested subscription/single copy or individually requested verified where access is restricted to those individuals in either of the following two formats:
- **Replica:** This digital edition is an exact replica in both editorial and advertising as the actual magazine. Additive content such as hyperlinks, video, audio and other similar Web enabled enhancements will not impact the consideration of the edition being a replica provided placement of the editorial and advertising remains consistent as in the print version.

¹⁶ Source: http://www.accessabc.com/resources/c_electronic.htm

- **Non-Replica:** This digital edition is required to maintain the same basic identity and contain content of the same editorial home as the print magazine. The editorial and advertising content may be different.

Circulation auditor CCAB/BPA Worldwide similarly defines “digital versions” as:

- Multiple pages of content containing articles, graphics, or other features that are distributed electronically, as a unit and are subject to the rules governing separate Editions and the approval of the President. (E-newsletters and Web sites do not qualify as digital publications.)¹⁷

Because this type of ‘single copy’ definition is rooted in the traditional definitions for publications it is more clearly defined. It is also more exclusive as a result. It does not make allowances for publishers who take advantage of the ‘anytime, anywhere’ publishing and distribution opportunities presented by the Internet. Currently only three Canadian digital publications report paid circulation to the ABC and five Canadian digital publications are audited by the CCAB.¹⁸ All are associated with a print publication.

A slightly more inclusive, yet traditionally-based definition is used by the industry association Canadian Business Press (CBP). CBP defines a digital publication “as a digital facsimile of the printed product.”¹⁹ The association, however, does not mandate a digital publication publish single-copy or unique issues.

Currently, CBP allows member publications that stop publishing print copies but continue publishing digitally to retain their membership. Using this eligibility model allows CBP to ensure a digital publication already meets its advertising and circulation membership criteria. As a result, CBP currently has four digital-only publications as members. Like many other industry associations, the CBP is reviewing membership criteria to determine how digital publications may be handled differently in the future.

2.4.2 Open Definition

The open approach to defining a digital publication (the approach recommended in this study) attempts to preserve the essential editorial integrity of magazines and newspapers,

¹⁷ Source: <http://www.bpaww.com/resources/guide/digital.htm>

¹⁸ The CCAB noted that many more digital editions are in circulation in Canada, but many publishers choose not to include them in their circulation audits.

¹⁹ Source: Karen Dalton, Executive Director, Canadian Business Press



while allowing the use of new technologies that alter traditional distribution and publishing practices. Publications captured by this definition are often websites that deliver editorial content held to a professional standard.

Currently, digital publications that meet these criteria are not tracked by circulation auditors and are not considered publications by many industry associations. However, BCAMP has granted membership to two digital-only publications: *TheTyee.ca* and *Suite101.com*. In addition, *MastheadOnline* launched the Canadian Online Publishing Awards this year and the National Magazine Awards Foundation (NMAF) is planning to launch its own awards for online publishing.

Even though recognition of online publications that would likely fall under this definition by industry bodies is growing, there is no existing consensus on the accepted parameters for defining the industry. BCAMP has two online-only members, yet at the time of this study it was still drafting its own definition for a digital publication.

The definitions that do exist are varied. For example, the definition used to determine eligibility for *MastheadOnline's* Online Publishing Awards is quite broad. It stipulates among its inclusion criteria that an eligible publication "Must carry some original editorial content (i.e. content published first online)."

The NMAF's preliminary eligibility criteria for a digital publication are more extensive:

- A magazine's website or an online-only magazine;
- Must be editorial in nature;
- Primary function is to inform or entertain rather than to sell products or promote a business;
- Must include a significant amount of original content;
- Must have at least one editor (producer) who makes creative decisions about the content, tone and point of view of the site;
- It cannot be a personal blog although blogs may be elements on the site;
- Originally conceived, or derived from print component, as editorial pieces;
- 51% Canadian-owned and published in either French or English or both;
- Entries provided as URLs and in general use for at least part of calendar year;
- Screenshot must be included as a PDF or JPG in the submission;

- Follow Canadian Magazine Industry Advertising/Editorial Guidelines²⁰ and American Society of Magazine Editors Guidelines for Editors and Publishers²¹; and
- Awards limited to Canadian content creators (editors, designers, freelancers) and are open only to work commissioned by the magazine/website.

The above criteria are still a work in progress. For the first year of its online awards the NMAF is requiring digital publications to include a 'significant amount of original work,' as opposed to a mandated, percentage-based minimum. The foundation anticipates it will be able to evaluate and streamline this particular criterion for year two based on submissions and judge feedback for the inaugural online awards.

The Masthead and NMAF definitions both embrace the shift to digital technology and the use of digital formats for interactivity and timeliness, as well as distribution. Similarly, the new Digital Enhancement funding stream of the Ontario Media Development Corporation's (OMDC) Magazine Fund is intended to fund projects "that best assist the individual publisher in adapting and preparing to meet digital challenges in a fast changing marketplace."²² According to OMDC:

- Digital enhancement projects could include, but are not limited to: redesign/upgrade of website to include online subscriptions; enhancement of online magazine formats; online advertising sales campaigns; podcasts, videos, webcasts; search optimization by subject and/or back issues; interactive game based on magazine's content; exploration of alternate sales channels.

Because an open definition of a digital publication allows for new digital publishing business models it runs the risk of being overly broad or inclusive. Criteria such as mandating an editorial function and a visible masthead are necessary to distinguish a digital publication from other websites such as personal blogs or corporate websites.

²⁰ <http://www.magazinescanada.ca/files/Advertising-Editorial%20Guidelines.pdf>

²¹ http://www.magazine.org/asme/asme_guidelines/guidelines.aspx

²² Source: <http://www.omdc.on.ca/AssetFactory.aspx?did=6187>

3 Canada's Digital Publishing Industry

Using digital technology is the reality for magazine and newspaper publishers. It is extremely rare for a print magazine or newspaper to not use the Internet for content distribution, brand building, marketing, advertising or subscription sales opportunities, or all of these activities. For example, all of the 150 weekly newspapers represented by industry association Hebδος Québec have an electronic extension or website.

Data from other jurisdictions also give an idea about the size and growth of the digital publishing industry. A report from the Gilbane Group Inc.²³ from May 2008, using primarily North American data, estimated the number of publications offering digital subscriptions grew from 1,188 in 2005 to 3,286 by 2007.

These numbers, while impressive, account for digital replica magazines and newspapers, and do not include the substantial number of websites of publishers or digital-only publications. However, industry data on the growing sector of digital-only publications is extremely limited. To bridge that gap, the study team conducted detailed interviews of 17 digital publishers that distribute more than 70 digital titles combined. Additionally, industry associations, auditing bureaus, funding agencies and award program administrators were consulted.

In this section, then, we outline the findings that resulted from this research. We first profile digital publications as to their geographic locations, content type and language. We then describe popular Canadian digital-only publication formats or digital platforms – website, downloaded digital edition, RSS feed, email, or PDA/mobile. We list what they reported back to the study team as their strengths, weaknesses, opportunities, and threats (i.e. a SWOT analysis). And we discuss marketing and sales, advertising and other revenue models, and finally readership tracking and measurement.

3.1 Profile of Canadian Digital-Only Publications

Research into Canada's digital publishing industry identified 120 Canadian digital-only publications. These publications represent the more obvious publications that were able to be captured through this study and, in fact, the actual list is almost certainly larger – and will

²³ Source: Gilbane Group Inc., *Digital Magazine and Newspaper Editions: Growth, Trends and Best Practices*, May 5, 2008.

grow substantially over time. Nevertheless, they represent a preliminary effort to profile the sector in terms of location, language, and publication type – see table 3 below.²⁴

Table 3: Canadian Digital-Only Publications, Industry Profile

Category	# of Publications	Category	# of Publications
Language		Office Headquarters	
English	96	GTA	40
French	10	Ottawa	10
Bilingual	14	Ontario Other	10
Content Type		Montreal	24
Special Interest Consumer	83	Other Quebec	1
Campus	7	Vancouver	10
Business, professional or Trade	12	Other BC	4
Farm	1	Atlantic Region	5
General interest consumer	8	Prairie Region	5
Scholarly	7	Unknown	11
Total		120	

As is clear from the table above, Canada’s digital-only publications are heavily clustered in the major centres of the Greater Toronto Area (GTA), Montreal, Vancouver and Ottawa. The most prevalent content type is Special Interest Consumer publications, followed by Business, Professional or Trade publications.

Additionally, the digital-only publications profiled in this study have been in circulation on average for a little more than five years and employ a full and part-time staff of nearly five employees. It is, in fact, freelancers who make up a large portion of workers in the digital-only publishing industry; in terms of actual number of people they form the highest “employee” category. When freelance, temporary employees and volunteers are included, average “employment” per publication increases to 64, with a median of 20. A few publications noted they have “hundreds” or “innumerable” staffers of that kind.

3.2 Prevalent Digital Formats and Content Delivery Practices

3.2.1 Digital Formats

The most common distribution platform used by Canadian digital-only publications is their website. This website-base format is often supplemented with other digital formats, most commonly emails followed by RSS feeds, downloadable digital editions, and in some cases

²⁴ Publication types were drawn from Canadian Heritage.

mobile distribution and online video. Based on interviews with digital publications, the table below shows the percentages of publications using various digital formats. It also illustrates the percentage of digital publications that indicated they are considering testing alternate digital formats and distribution models.

Table 4: Digital-Only Publication Format Preferences²⁵

	Website	Email	RSS	PDF/Digital Edition	Mobile	Video	Podcast
Using	100%	67%	33%	6%	6%	6%	6%
Considering	N/A	6%	6%	0%	28%	33%	17%

Each of these formats is described in turn below.

Website

The website is generally the home of the digital-only publication. Even publications that elect to distribute content to readers chiefly via an email blast almost always publish, or post, the content to the publication website. In the majority of cases, content is archived to the website and remains available thereafter to readers.

Although digital publications develop distinct designs and layouts much like print magazines and newspapers, they tend to adopt similar content organization practices. The most recently published articles are usually presented on the homepage, often ordered based on age from top to bottom with the most recently published article at the top. In the case of news sites, articles that carry more weight, or relevance, or are part of a breaking news story, will often remain at the top of the page. Archived articles are frequently presented under a series of relevant topic headings offered as links on a digital publication's homepage.

Content posting schedules for digital-only publications range from as infrequently as four times per year to as often as 250 times per day. Generally, digital publications tend to leverage the flexibility of the Internet to publish content much more frequently than in the print world. Daily and twice-daily postings are the most common publishing schedules, although even these schedules are often augmented by unscheduled postings throughout the day as news breaks.

Some publishers do not adhere to a set schedule, choosing instead to literally post content as soon as it is ready or as news breaks. Many publishers who do not use a schedule for posting content to their website do follow a schedule of email notifications or blasts.

²⁵ Based on 17 publications.

Email

Email is commonly used by digital publications to deliver content directly to readers. It tends to be used three different ways:

- Scheduled headline bulletins providing links back to the publication website;
- Scheduled email blasts delivering embedded HTML content within the email; and
- Unscheduled email blasts delivering breaking news.

Email blasts act as the publishing schedule for some digital publications. Although these publications post content as it becomes available, they identify their schedule by how often they distribute their email. Readership levels tend to spike following the delivery of the scheduled email, suggesting the majority of subscribers to these publications wait for emails to arrive before consuming content.

Email delivery schedules are more contained than content posting schedules. They generally range from once per month to every day.

Downloadable Digital Editions

Although most commonly delivered via a website, digital editions are a separate digital format because the entire issue of a publication can be downloaded and consumed offline on a computer or digital reader like the Amazon Kindle. These editions usually resemble an on-screen magazine, with static pages and no live links to click through to other articles. Standalone digital edition publishing is essentially the same practice as traditional magazine publishing, minus printing the final product. It is therefore a model commonly employed by publications that have made the switch from print to digital-only distribution. However, some new Canadian digital-only publications such as *TheDinnerJacket.com* have adopted the digital edition publishing model as well.

TheDinnerJacket.com is laid out and posted by Zmags, which calls itself “a direct alternative to the classic PDF presentation.” The Zmags layout lets readers click and drag the corners of onscreen pages to turn to the next page, or highlight a section of text or a picture to magnify and even email that particular section of the magazine. Other digital edition companies include Issuu, Nxtbook, Zinio and Texterity. Although digital editions represent a small portion of the Canada’s digital-only publishing industry, increased popularity of digital readers and a continued shift to digital-only distribution by print publishers could potentially alter this ratio.

RSS feed

Digital publications use RSS feeds to automatically syndicate their content to interested readers. If a digital publication is RSS-enabled, a consumer with an RSS reader can register to receive content from that publication as it is posted. The advantages to the reader is they can receive content without having to continually visit the website or sign up to receive an email. The advantage of RSS feeds to publishers is they automatically syndicate content without the need to aggregate it into an email blast.

RSS feeds are somewhat popular with digital-only publications, but are more appropriate for some genres than others. Readers of news heavy publications that post articles numerous times a day are more likely to subscribe to RSS feeds to limit their visits to that publication.

Mobile, Video and Podcasts

The use of mobile platforms, video, and podcasts as digital distribution formats are all currently nascent ventures for digital-only publications. Our consultation with digital-only publications revealed that an equal or greater number of publications were considering using these formats than are presently using them. All represent a blend of old and new media and could be seen as part of the evolution of the digital publishing landscape.

Dedicated distribution to mobile devices presents many new opportunities for digital publications. Delivering content with high editorial and visual quality to handheld devices fully combines all the business advantages of digital publishing with the consumer advantage of being able to take a publication with you wherever you go. Digital publishers consulted recognized the popularity of smartphones as an opportunity to increase the distribution of their publications. As well, book publisher Random House recently launched an iPhone and iPod Touch e-book reader, which is further evidence of the move of publishing content to mobile devices.²⁶

Digital publishers are similarly eager to add online video and podcasts to their content offerings. Posting audio interviews as podcasts – or even video files if the interviews are filmed – further leverages digital technologies. Currently, digital publishers cited the cost of video and the questions on how to monetize it as one barrier to entering that market, although many are exploring it as an option.

²⁶ Source: <http://www.nma.co.uk/random-house-launches-ebook-app-for-iphone/3000769.article?nl=DN>

3.2.2 Content Delivery Practices

Essentially all digital-only publications use a website and approximately two thirds employ email as part of their content delivery practices. These two digital formats – websites and email – form the basis for the delivery models of nearly all digital-only publications, with RSS feeds, mobile, video and podcasts being employed in a complementary fashion.

Websites and email, however, are used in a different way to circulate digital editorial content. Generally, there are three prominent delivery models for digital-only publications. They are:

- Open access to content (including free subscription access);
- Scheduled email delivery of content; and
- Paid subscription access to content.

Delivery models are not necessarily related to revenue models, as publications within a delivery model group may choose to generate revenue from any of multiple avenues. However, in the case of paid subscription, clearly the business model is based at least somewhat on subscription revenue.

3.3 Readership Tracking and Wantedness Measurement

3.3.1 Readership Tracking

Digital publications use a variety of metrics and services to track their readership. The numbers are in turn used for selling advertising inventory or attracting site sponsorship. Readership, or wantedness, measurement methods used for selling advertising can differ widely and are often related to the publication's delivery model. Currently, there is no consensus on how best to measure wantedness across the entire digital publishing industry, although some trends are evident.

The following table provides a collection of responses from individual digital publishers about their readership levels. It illustrates the variety of tracking methods used and the readership levels recorded.

Table 5: Digital-Only Publication Readership Tracking

Publication	What is your estimated readership?	
	Unique Visitors per Month	Other (specify)
1.	170,000	
2.	2,000	20,000 email recipients/day
3.	15,000,000 (mostly international)	
4.	N/A	1,000-2,000 page views/day
5.	10,000	6,000 email recipients/month
6.	20,000	
7.	250,000	1 million page views/month
8.	14,000	3,000 paid subscribers
9.	27,000	30,000 page views/month
10.	65,000	
11.	150,000	
12.	10,000	
13.	20,105	56,967 visits/month; 559,550 page views/month
14.	576,000	5.5 million page views
15.	15,000-20,000	2000 email recipients/month
16.	N/A	150,000 hit count/month
17.	25,000	

The table above clearly illustrates that monthly unique visitors is the most popular readership measurement tool among digital publishers. Discounting the digital publication that is principally email based (#2 above), Canadian digital publishers count between 10,000 and 576,000 unique visitors per month. A high-level average based on interviews conducted is about 100,000 unique visitors per month per digital publication.²⁷

A trend in tools used for readership tracking and measurement was also identified. More than 70% of digital publishers consulted currently use Google Analytics to track unique page views and other metrics. Reasons cited for using Google Analytics were its cost (free) and its perceived accuracy. Multiple digital publishers believed their readership levels were previously exaggerated when using other tracking tools.

Specifically, one publication noted that its previous tracking provider Webtrends counted 50,000 unique monthly visitors, a metric that shrank to 25,000 when Google Analytics was

²⁷ The digital publication that reports 15,000,000 unique visitors was not included in the calculation to determine the high-level average.

employed. One of the reasons Google Analytics consistently returns lower unique visitor per month counts than other measurement providers is that it does not count bot/spider traffic.

Accurate measurement and the use of a common tool across the industry provide more stability to advertisers and subsequently supports the digital publishing business model.

3.3.2 Building Consensus on Wantedness Measurement

Print publications commonly measure wantedness in terms of circulation figures. Because digital publications are more commonly a destination for content than a transmitter of content, the online environment renders this kind of measurement largely impractical. Nonetheless, weighing user engagement is critical for digital publications to determine their advertising value. Therefore, evaluating the various ways that the wantedness of digital publications is measured remains vital to arriving at commonly accepted industry parameters for valuing advertising inventory and to inform the potential funding process.

Unfortunately, there is currently no consensus on the best way, or ways, to measure online user engagement, which is one of the main reasons why content producers of all types are still struggling to monetize digital content as effectively as print content.

Ironically, the tools available to measure readers of digital publications are far more precise than anything that has ever been available for print publications. For instance, advertising value for print publications is still gauged using a 'readers-per-copy' metric, which accounts for magazines being read by multiple members of a household, or passed to another household entirely, to calculate an average issue audience. Although print publications' circulation and subscription figures are clearly accurate measurements of readership and wantedness, a magazine's average issue audience is estimated from a survey. Survey measurement is not nearly as precise as the metrics that can be used for digital publications, which include page views, visits, dwell time,²⁸ and unique visitors to name just a few.

Given the relative accuracy of wantedness measurement for digital publications compared with print copies, it's not surprising many digital publishers identify an advertiser bias against the value of an Internet reader and the suitability of measurement metrics as being one of the main weaknesses of the industry. Part of the problem, however, could be that myriad distribution and business models make developing commonly accepted measurement standards more difficult than in the print world. Different computer settings and measurement devices further muddy the already murky waters. These obstacles also

²⁸ Time spent on a site.

underscore the importance of arriving at commonly accepted wantedness measurement parameters.

Circulation auditor CCAB/BPA Worldwide audits websites separately from standalone digital editions. Websites contracting with CCAB use page tagging software so traffic to tagged pages is sent directly to the CCAB for analysis. Filters are used to exclude internal traffic and spider/robot²⁹ traffic from reports. The CCAB system reports: page impressions; unique browsers; user sessions; unique browser frequency; user session duration; and page duration.³⁰ This level of detail provides websites with currency for negotiations with advertisers and media buyers, but may not be entirely necessary for measuring wantedness.

The table below presents seven possible wantedness measurement methods for digital publications, highlighting the advantages and drawbacks of each.

Table 6: Wantedness Measurement Methods

Measurement Method	Description	Advantages	Drawbacks
Free Online Subscriptions	A form users are required to fill out to access content	Similar to request circulation requester card in print publishing; Creates a defined list, which is easier to sell to advertisers	Does not guarantee users visit site; Not applicable to sites offering subscription-free content
Paid Online Subscriptions	Payment (usually monthly or annually) provided for access to content	Similar to request circulation requester card in print publishing; Guarantees ongoing interest in the sites content	Does not guarantee users visit site; Not applicable to sites offering subscription-free content

²⁹ Spider/Robot traffic, commonly referred to as 'bot traffic,' describes the practice of deploying automated programs to access web pages, online advertisements or other digital content. Bots are commonly used to catalogue web pages for search engines, but can also be employed for the purposes of increasing the apparent usage of those services. For example, an unscrupulous webmaster might employ a 'bot' to virtually 'click' a particular advertisement using a pay-per-click compensation scheme in the hopes of generating additional revenues without attracting real 'eyeballs.'

³⁰ Source: <http://www.bpaww.com/interactive/downloads/SellsheetINTERACTIVE.pdf>

Measurement Method	Description	Advantages	Drawbacks
Email circulation lists	The list of recipients of the publications periodic email notifications	Easily quantifiable for advertisers; Usually based on an opt-in model, thereby ensuring actual interest in the publication; Could be combined with mobile distribution offerings	Needs audit system to guarantee legitimate circ. list; Publications that update content frequently rarely use email circ.; Potential privacy issue (e.g. providing email addresses to 3rd party)
SMTP log inspection	A variant of email circulation list that measures the actual amount of emails sent to various addresses	Less easy to 'game' as it counts actual emails sent	Remains susceptible to false email addresses; Potential privacy issue
Unique visits	An automated counter of the number of IP addresses that visited site over a defined period of time, as collected by services such as Google Analytics	Automatically collected; Results can be presented via a third-party software to ensure against tampering; Little privacy issues if presented in aggregate	Automated programs (i.e. 'bots') can be used to generate false clicks ; Different measurement services will give different results; Does not reflect viewer engagement to content (or advertising)
Unique page views	Similar to unique visits, measures the number of IP addresses that viewed any page on the site, counting each page viewed.	Better indicates engagement with online material; Little privacy issues if presented in aggregate	Automated programs can be used to generate false clicks; Does not indicate how many different visitors viewed the various pages
Pages per Visit	A combination of unique page views with unique visits (above)	Measures the average engagement per visitor; Can be used in combination with unique visits to ensure that the number of visitors accurately reflects wantedness; Little privacy issues if presented in aggregate	Not a useful metric on its own; Not effective as the majority of content is often on the homepage

Measurement Method	Description	Advantages	Drawbacks
Bounce rate	The rate, usually expressed as percentage, at which visitor leave the site, rather than click on one of the site's link	Can be used to discount unique visitors to arrive at a more accurate picture of visitors that engaged with the site; Little privacy issues if presented in aggregate	Cannot be used as a measurement tool on its own/ meaningless without the number of visitors; There is no industry standard for the amount of time a visitor can spend on a page before leaving to consider it a 'bounce' (i.e. they could be reading an article)

As is clear from the table above, each different method for measuring wantedness has both substantial advantages and drawbacks. The most obvious drawback common to all methods is that none effectively address the realities of all digital publication delivery/distribution models.

Indeed, a typical usage report offered by measurement providers (e.g. Google Analytics or Nielsen Online) will tend to include: unique visitors per month; page views; time spent reading the digital edition; ad click-throughs; email-to-a-friend and social book-marking invocations; usage of features such as bookmarks, highlighting, and annotation; usage of rich media content (e.g. video); types of devices and browsers; and referral URLs.³¹

This proliferation of business models and measurement indicators creates a situation where setting common parameters around the usage of multiple measurement tools would be inefficient and possibly arbitrary. It likely makes better sense to match wantedness measurement methods to the most common access/distribution models for digital publications in order to arrive at a more streamlined, yet flexible, approach.

As noted in section 3, there are three prominent delivery models for digital-only publications: open access to content (including free subscription access); scheduled email delivery of content; and paid subscription access to content. Each delivery model is best suited to a particular method of wantedness measurement.

³¹ Source: Gilbane Group Inc., *Digital Magazine and Newspaper Editions: Growth, Trends and Best Practices*, May 5, 2008.

- **Unique visits** is the wantedness measurement method most effectively applicable to the publications that provide **open access to content**. The **unique page view** approach is a similar measurement method that gauges overall interest by the user (or reader) base, – the size of which is not measured. Unique visits, however, more appropriately reflects the total number of readers. Unique visits measurement is made more robust when combined with **page per visit** or **bounce rate measurements**. The page per visit method is, however, less applicable to digital publications because many deliver new content on the homepage and readers therefore do not view multiple pages in a visit.

The combination of unique page views and bounce rate measures wantedness by counting the number of readers, adding a factor of engagement by discounting visitors who quickly left the publication. This combination of measurement methods is ideally suited to open access publications and could also be applied to subscription publications and some email delivery based publications. The main limitations of this approach are that it does not measure the level of wantedness indicated by the number of people paying for ongoing access to content for paid subscriptions, nor is this approach applicable to email delivery publications that provide content in HTML format and do not require users to link back to the website.

- **Email circulation lists** are a clear indication of wantedness because consumers are opting to receive **email notifications of content**, or the content itself in HTML format, on a regular basis. Email circulation lists are currently extremely relevant to advertisers and should not be discounted as an indication of their quality as a wantedness measurement tool (e.g. digital publications that deliver content via an email circulation list should not have their wantedness measured based on unique monthly visitors or some other parameters). Email circulation lists, however, are used by only a subset of the industry, and are particularly problematic with digital publications that post content frequently throughout the course of a day (e.g. news-based services).

Email-based digital publications could additionally track their 'open rate' (which describes the percentage of email subscribers who actually open the publication email) as a more exact measurement of wantedness. This does not appear to be a common industry practice at this time, and would likely be spurred by demands for open rates from advertisers. However, there are some organizations that currently track open rates for email marketing campaigns and other email-based communications.³²

³² ThinData Inc. and Constant Contact.

- **SMTP logs** can also be used to verify sent and received emails, making them an ideal measurement tool for **email-based digital publications** including standalone digital editions. The **CCAB**, division of **BPA Worldwide**, uses SMTP logs to audit the circulation of digital editions. Below is an example of a typical SMTP log:

*Nov 10 2002 04:05:22 YOUR_EMAIL_SERVER_NAMEsendmail [MESSAGE_ID_1]:
ISSUE_ID_Nov2002: to=<userA@somewhere.com>, mailer=smtp, pri=943596,
relay=email3.somewhere.com. [1.2.3.4], dsn=4.0.0, stat=Deferred: Connection
timed out with email3.somewhere.com.*³³

The CCAB requires SMTP logs to contain the full names and email addresses of recipients. Such sharing of personal information with a third party would have to be outlined in a digital publication's privacy policy.

- **Online subscriptions** are a clear indication of wantedness for **paid subscriptions**. Although it does not track user engagement, wantedness can be inferred from the fact that consumers continue to pay to have the content available to them (e.g. there can still be wantedness in the absence of use, or readership). Online subscriptions for free services, however, do not measure user engagement nor do they measure ongoing wantedness. A user could subscribe to free content to read one article and never return to the publication. Also, if trends continue, online subscriptions, particularly paid, will increasingly become the domain of specialized trade publications so this type of measurement will most likely lose salience over time.

Given the above-mentioned complexity and uncertainty, it is likely most prudent to adopt a single measurement method for each access/distribution model (i.e. digital publications would adopt one, and only one measurement approach). The following three wantedness measurement methods appear to be the most applicable at this time:

- **Unique visitors & bounce rate:** to measure wantedness of open access and free subscription digital publications.
- **Email circulation lists/SMTP logs:** to measure wantedness of email delivery digital publications.
- **Online subscriptions:** to measure wantedness of digital publications with paid subscriptions.

Regardless of which approach, or combination of approaches, is adopted at this time, the measurement of digital publication wantedness will need to be reviewed on a regular basis to

³³ Source : http://www.bpaww.com/resources/Electronic_Auditing_FAQ.pdf

ensure that the methods employed continue to address the constantly – and rapidly – evolving digital publishing landscape.

For example, as digital publications continue to diversify their distribution models in the future, multiple distribution formats will likely be considered for wantedness measurement. Therefore, the digital distribution formats identified in Section 3.2.1 as being primarily complementary (RSS feeds, mobile, and podcasts) to websites and email, could be measured as additional indications of wantedness.

RSS feed subscriptions and podcast downloads both provide clear indications of wantedness because consumers are requesting to receive each. In the case of RSS feeds, consumers sign up or ‘opt in’ to receive syndicated published content. Measuring the number of ongoing RSS feed subscribers to a particular service is quite analogous to measuring the number of email recipient subscribers to an email-based digital publication. RSS feed subscriber lists could additionally augment measurement of breaking news-heavy publications, as many RSS subscribers may read the news through their RSS feed without linking back to the website, actually lowering overall unique monthly visitor counts.

In the case of podcasts, a straight count of monthly downloads (free or paid) provides a clear indication of wantedness. Additional wantedness credit could be assigned to the length of the audio or video podcasts being downloaded (or the length of streaming audio and video on a website) because podcast length provides an indication of reader, or user, engagement time.

Finally, mobile distribution wantedness measurement, like website or email, depends greatly on the publication’s distribution model. Consumers accessing digital publishing content through a mobile device could be doing so via mobile email, or a paid subscription or open-access website model. Generally, publications that offer content over mobile devices could count mobile readers using the same methods mentioned for measuring web or email readers, as appropriate.

3.4 Marketing and Sales

Marketing and sales practices vary greatly across the digital publishing industry and are largely influenced by a publication’s size, content type and ownership. Fewer than half the digital publishers interviewed reported any marketing expenses as part of their operational costs last year.

One digital-only publisher that received marketing-specific funding in 2008 undertook the following marketing activities/initiatives:

- Launch parties in Montreal (French) and Calgary;
- Press releases and public relations in French in Montreal;
- Public relations and press relations in Western Canada;
- Digital ad campaign;
- Marketing collateral (signage, prescription pads, media and press kits);
- Event sponsorships (movie premiers, store openings, Vancouver Art Gallery, Fashion Weeks);
- Computers and software for promotions and contesting;
- Tech support for contesting and marketing;
- Hired 1 part-time promotions coordinator;
- Hired 10 part-time events team members.

The above marketing scenario is from one of a very limited number of Canadian digital-only publishers that had access to a substantial marketing budget. Therefore, the activities listed represent those that a digital publisher may engage in with the appropriate amount of funding. The list, however, is not representative of the typical overall marketing and sales practices for digital-only publishers.

The following activities were identified by publishers as being critical to attract new readers/subscribers to their digital-only publications.

Cross-promotion

Large publishing corporations are more capable of devoting resources to marketing the titles within their digital publishing divisions. These publishers commonly promote their digital publications in their print products and across their entire digital publication line-up. Smaller publishing groups similarly cross-promote their titles. For example, the homepages of all the digital publications operated by publisher Freshdaily feature links to all the other Freshdaily regional publications.³⁴

Social Networking

Social networking provides a free and effective way for digital publishers to market their titles. Social networking sites Facebook, Twitter and MySpace were cited as commonly used

³⁴ *BlogTO* (Toronto), *Midnight Poutine* (Montreal) and *Beyond Robson* (Vancouver).

marketing tools. Digital publishers use social networking to distribute content as well as promote their brand by creating open dialogues with readers. Social networking is also used to promote publisher-sponsored or hosted events. Generally, the only costs associated with marketing through social networking sites is related to the time spent adding information to and updating the site.

Events

Due to the often specialized nature of their content, sponsoring relevant events allows publishers to effectively market their digital publications to their target audience. These events range from industry association conferences and golf tournaments to fashion shows. Some digital publishers also organize and host events specific to their editorial subject matter, which is used as both a brand building opportunity and, in some cases, an additional revenue stream.

Search Engine Optimization (SEO)

SEO – the practice of increasing volume to a website via search results – is a vital marketing tool for many digital-only publications. Digital publishers can increase the relevance of their content to specific key search words and remove search engine indexing barriers by appropriately editing content and HTML code. For publications that reside on the Internet, appearing first on Google or other search engines following a keyword search can dramatically increase unique visits and readership.

Buying keywords – the practice of paying (sometimes on a cost-per-click through basis) to have ones website receive priority placement on search engines for various keyword searches – could provide an additional marketing boost for digital-only publications. Although no digital publisher interviewed for this study indicated they buy keywords, it seems a logical and effective extension of SEO.

3.5 Advertising Models and Revenue Generation Practices

As outlined in Section 4.2, advertising is the primary source of revenue for the majority of Canadian digital-only publications, with advertising and sponsorship on average accounting for 87% of annual revenue. The most common advertising models are cost per thousand, cost per click and sponsored space. Other revenue generation practices include paid access to content (subscription), financial appeals to their readers, public funding and other activities.

Cost per Thousand (CPM)

The most popular advertising model for digital-only publications, CPM advertising costs are priced per thousand impressions, or loads of an online advertisement. Through the CPM model digital publications can increase ad revenue by increasing traffic to their publication. More than half of the digital publications interviewed accrue at least a portion of their revenue from CPM display ads. This ranged as a percentage of total revenue from 5% to 100%, indicating CPM advertising is flexible enough to be the sole source of revenue, or merely a supplemental portion.

Sponsored Space

The second most popular advertising model among digital-only publications is sponsored space. In this model advertisers pay a set fee to run ads in a digital publication over a specified period of time, with no fluctuation to the fee based on readership levels. Subsequently, advertisers are often identified as ‘sponsors’ of the web content. The two methods of sponsored space advertising are:

- Sponsored space with independent editorial content; and
- Sponsored space with sponsor-related, or advertorial, content.

The first method is by far the most popular as it retains credibility for the publication and the advertiser.

The costs of sponsored space advertisements are typically determined through readership measurement statistics, subscriber levels and email recipients, or some combination of the three. Digital-only publications allow advertisers to effectively reach a targeted, or niche, audience and sponsored space advertising is therefore popular in special interest digital publications.

Cost per Click (CPC)

In the CPC advertising model, advertisers pay a website a set fee each time a user clicks on their link and is redirected to the advertiser’s website. Although some digital publications reported receiving nearly 100% of their revenue from CPC, this form of advertising is not as widespread as CPM. Fewer than 30% of digital-only publications interviewed reported any revenue from CPC. The CPC model is best suited to digital publications with very high traffic volumes, which helps ensure a large number of readers will click on the on-screen advertisements.

Paid Subscription Content

There are two standard subscription content models for digital-only publications:

- Paid membership for ongoing access to content; and
- Pay-per-article.

Paid membership for ongoing access to content is the more popular model of the two. It is, however, declining as a prevalent digital publication revenue model as consumers are reticent to pay for access to digital content. Charging for access to online content or subscriptions is increasingly being used primarily for niche publications and trade magazines in profitable industries which can charge several hundreds of dollars per year for specialized content.³⁵ While mainstream general interest publications may yet attempt to adopt paid subscription models, it would remain to be seen whether they could achieve success by doing so.

Digital publishers using a subscription content model often supplement it with sponsored space or CPM advertising. In fact, paid subscriptions can increase the value of a publication to advertisers, making it easier to derive significant advertising revenue.

Funding

Some not-for-profit digital-only publications built their business relying primarily on revenue from funding bodies. A few digital publications receive this funding from dedicated cultural funds like the Canada Council for the Arts' Grants to Literary and Arts Programs (see Chapter 5). Others are funded by organizations or institutions such as museums or universities. Digital-only publications also access funding from programs related specifically to the subject matter they report on, and in some instances have been able to access money from digital media funds.³⁶

Other Activities

As noted in Section 3.4, event organizing and hosting has been used as a revenue generation practice by some digital-only publications. Other activities to generate revenue include managing marketing campaigns, revenue sharing with writers for sale of editorial content and accessing financing from angel investors. One publisher interviewed is also planning to sell video production services to advertisers, thereby creating revenue from both video production and video advertising.

³⁵ Source: Jason Fell, *Returning to the CEWalled Garden: Three examples of successful paid content strategies*. April 30, 2009. <http://www.foliomag.com/2009/returning-walled-garden>

³⁶ Telefilm Canada's Canada New Media Fund.

3.6 Digital Publication S.W.O.T.

Digital publications and publishers consulted were asked to share what they considered their strengths, weaknesses, opportunities and threats. The aggregate responses provide insights into the current and future state of digital publishing in Canada. Table 7 below categorizes the their strengths (those which are common³⁷ and others which are less common³⁸), weaknesses, opportunities and threats.

Table 7: Digital-Only Publication S.W.O.T. Analysis

Strengths, Weaknesses, Opportunities and Threats
Common Strengths
Editorial Content
Niche position/unique approach to serving communities of interest
Credibility with key readership
Quality journalism and content
News gathering ability and immediacy of breaking news content
Accessibility and functionality of website
Brand recognition
Involvement with a large network (e.g. content sharing and strategic partnerships with writers around the world)
Low overhead and admin costs
Access to insider/expert opinion
Relationship with advertisers/access to target market
Other Strengths
Online focused production process ³⁹
Degree of influence in Canada
Professional editorial staff
“Canadianess” of content and staff
Archived content
Eco-friendly
Combines information with shopping opportunities
Use of new distribution and social networking technology
Reader loyalty
Common Weaknesses
Difficulty in attracting advertisers and selling ad space due to:

³⁷ Identified by three or more digital publishers.

³⁸ Identified by fewer than three digital publishers.

³⁹ Writing for the web is a fundamentally different process and the end-product is different from print content that is transferred into web formats.

Strengths, Weaknesses, Opportunities and Threats

- Advertiser bias against the value of an Internet reader and the suitability of metrics⁴⁰
- Nature of content not appealing to advertisers

Small organizational and administrative capacity/lack of affiliation with larger newspaper or portal⁴¹

Potential audience limited to small niche or geographic location⁴²

Difficulty in remaining innovative and up-to-date with technology in the digital environment (e.g. limited use of video, audio, social networking on website)

Undercapitalized (lack of profitability to build up working capital and lack of investment sources) which limited the publication in the following ways:

- Overall
- For marketing activities and entering the consumer market
- For building partnerships and strategic alliances
- For web development
- For investigative journalism and/or rich-media content production
- For business development

Other Weaknesses

Challenge to maintain the website with up-to-date content and information

Lack of training for web-specific writing

Lack of diversification in distribution channels/dependency on Google search

Readership is disadvantaged in terms of Internet access, which mean fewer ad and content opportunities

Not geographic or niche-specific

Traffic volume on site creates technology problems

Lack of brand notoriety in Quebec and limited French resources within Anglo parent organization

Lack of Internet sales experience and knowledge

Lack of external funding, venture capital and angel investment opportunities

Common Opportunities

Adopt new technologies and a multi-media approach (e.g. using more video, audio, photo)

Capitalize on existing strengths and activities in order to increase traffic and advertising revenue

⁴⁰ Three respondents noted the problem that advertisers regard an Internet reader as being worth less than a print reader. It is difficult for digital publications to sell advertising when they do not have a metric with equal currency with advertisers as 'readers-per-copy' for print magazines. One respondent felt that advertisers need to be better educated on the meaning of metrics and advertising online.

⁴¹ The respondents found they had very strong competitors in the sector who were mostly tied to larger organizations, publishing houses and networks.

⁴² There were two opposing views from digital publishers regarding niche targeting: it can be a weakness or a strength depending on the demographic of your audience and the nature of your content.

Strengths, Weaknesses, Opportunities and Threats

Increase traffic/Gain market share through:

- Hosting or sponsoring events
- Hosting online awards or contests
- Becoming a 3rd party content provider
- Social network integration
- Capitalizing on changing media consumption habits (Canadian audiences increasingly moving online)

Increase revenue through:

- Marketing to advertisers
- Creating and distributing video advertising
- Capitalizing on the movement of ad dollars toward online environment

Selling products through the website

Other Opportunities

Establish a proven business model

Educate media buyers

Access funding agencies

Ease tax restrictions regarding joint ventures with charitable foundations and trusts⁴³

Develop legacy content systems and better data collection and management tools

Collaborations with traditional television

Access younger generation

Access to US and International markets and adopt new advertising models for those regions

Common Threats

Mainstream competition/new entrants that have large financing, staff and access to venture capital and who adopt a similar business model and target niche

Volatility of media industry and web in particular

Difficulty in presenting a long-term, predictable business model that funders want to see/amount of time necessary for readers and advertising dollars to transfer from print to online

Changes to regulatory and funding environment⁴⁴

Lack of revenue opportunity

Economic downturns and stability of overall economy/specific industry covered by the publication (leads to greater competition for advertising)

⁴³ There are greater limitations on Canadian charitable foundations compared to in the US where digital publications that serve civil society can access funds accumulated via donations allowed to count as charitable donations for tax purposes.

⁴⁴ This threat is viewed by many respondents as an opportunity and a threat, the latter applicable in cases where new entrants or competitors receive government funding.

Other Threats

Demands on personal time of owner/operator in start-up situation

Free content

A tiered Internet system⁴⁵

Slow roll-out of high-speed access across Canada

Layoffs in traditional publishing leading to larger pool of talented editors starting competitive publications

Overabundance of information/content on the Internet

Restrictions on recouping investment through sale to foreign interests if listed as a cultural business by Investment Canada.

3.7 Industry Forecast

Substantial activity from two growth streams will contribute to the expansion of Canada's digital-only publication industry over the next two to three years. While overall revenue is likely to increase moderately, the more noticeable growth will be in the number of digital-only publications to enter the market. The two growth streams that will contribute to industry growth are:

- Marketing initiatives by existing and new publishers, including publication launches and promotion of existing digital publications; and
- Second widow opportunities for existing print publications.

Marketing Initiatives by Existing and New Publishers

The majority of digital publishers interviewed forecast positive revenue growth over the next five years. Outlooks ranged from minimal to as much as 400%. One large publisher with print and online divisions, and a selection of digital-only titles forecast in the next five years its online division would:

- Experience yearly revenue growth of 20%;
- Double editorial and database staff; and
- Increase market penetration by 20%.

⁴⁵ This situation arises when ISPs charge businesses fees so that their content is treated preferentially and operates at higher speeds than sites that do not pay the fees. At present this is almost entirely a perceived threat than an actuality.

This publisher intends to achieve these projections by: redefining sites and adding new features such as list selling; testing new distribution models; increasing traffic and ad display revenue; and possibly launching new digital publications. Other publishers based their positive growth predictions on their own historical growth patterns, additional revenue streams, focused marketing and sales initiatives, and increased advertising.

Predicted increases in online advertising is one of the most frequently suggested metrics of growth in digital-only publishing. According to PricewaterhouseCoopers, global advertising on magazine websites will grow from \$1.3 billion in 2008 to \$3.1 billion in 2013, a CAGR⁴⁶ of 18.5%.⁴⁷ This will result in digital advertising increasing its share of the total global magazine advertising spend from 3.8% to 9.3% by 2013. Digital publications are poised to benefit from this additional revenue as they increase readership and streamline their readership tracking processes.

Other recent industry developments like the launch of two separate digital publishing awards programs and new funds like the digital enhancement stream of the OMDC's Magazine Fund – should provide further growth and maturity to digital publishing.

Finally, digital-only publications may be better situated than print periodicals to weather the current recession. A recent estimate of US advertising revenues projects major declines in ad spending in 2009 for all traditional media – newspaper (-29.5%), TV (-14.4%), magazines (-18.3%) and radio (-21.0%) – while online advertising revenue is expected to decline by only 2.2% this year.⁴⁸ Yet, even the online world has felt the impact of the recession, as online sponsored (or branded) advertising was cited as softening in this market.

Second Window Opportunities for Existing Print Publications

Canada's digital-only publication industry has already grown modestly as a result of print publications ceasing print production to deliver exclusively digital content. Canadian Business Press already has four previous print members that are now digital-only – *MastheadOnline*, *AdvancedManufacturing.com*, *Green-Business.ca* and *NetCommOnline*. The latter three are all owned by CLB Media Inc., thus demonstrating that the transition from print to digital-only is not exclusively the domain of independently-owned publications. The same can be said for *TheMonitor.com*, the former print and now digital-only community newspaper that is owned by the major newspaper, magazine and digital publisher Transcontinental Inc.

⁴⁶ Compound Annual Growth Rate.

⁴⁷ PwC, *Global Entertainment & Media Outlook 2009-2013*.

⁴⁸ Source: <http://www.emarketer.com/Article.aspx?R=1007199>

Dropping print copies in favour of digital-only publishing is not driven by a struggling print business model alone. The fact is, some types of content seem better suited to digital delivery and consumption and reducing or terminating the distribution of print copies can be perceived as a natural transition once a majority of readers are digital. For example, US-based technology magazine *Wired* has 11 million unique visitors a month to its digital version, compared to its 704,000 print subscribers.⁴⁹ This trend suggests that technology-based editorial content may be more popular delivered in a technology-forward way. As well, six of the trade publications in our database have transitioned from print to digital-only, suggesting a pattern among that content category as well.

Generally, information that is updated on a frequent basis (e.g. news content) is also well suited for the anytime delivery option offered by the Internet, and consumers are more and more preferring to access news content online. For example, venerable daily newspaper the *New York Times* began feeling the impact of online content back in 2005. At that time the *Times* had a weekday circulation of approximately 1.1 million, with 1.7 million readers on Sunday. This compared to 18 million unique monthly visitors to its website, *NYTimes.com*. Of the *New York Times*' print circulation struggles, *Business Week* magazine wrote:

“New subscribers are increasingly hard to come by for all newspapers as advances in digital communications spur the proliferation of alternative sources of news and information. For the under-30 set in particular, digital accessibility and interactivity tend to trump the familiarity of long-established names like The *New York Times*, CBS, or CNN.”⁵⁰

By 2009 the *New York Times*' subscription count had fallen to approximately 830,000.⁵¹

Digital-only publications also address growing environmental concerns. “Environmentally Friendly” is often cited as the number one reason subscribers like digital magazines.⁵² As green attitudes continue to become more prevalent, consumer demand may require changes in publishing behaviour.

⁴⁹ Source:

http://www.nytimes.com/2009/05/18/business/media/18wired.html?_r=3&scp=1&sq=Wired%20magazine&st=cse

⁵⁰ Source: http://www.businessweek.com/magazine/content/05_03/b3916001_mz001.htm

⁵¹ Source: <http://www.businessinsider.com/2009/1/printing-the-nyt-costs-twice-as-much-as-sending-every-subscriber-a-free-kindle>

⁵² Source: *2008 Digital Magazine Reader Survey*, conducted by Texterity in association with BPA Worldwide and Mediamark Research and Intelligence.

The financial benefits of moving from print to digital-only can be significant. On average, more than 45% of a print magazine's costs are related to production and printing, circulation and distribution.⁵³ Even though digital-only publications have to spend a substantial percentage of their budgets on website design and administration, it does not approach this level. Web design expenses become even less of a concern considering the majority of magazines already offer content digitally as a supplement to their print product and therefore have already assumed design costs.

Newspaper printing costs are equally significant; it has been estimated that it would cost the *New York Times* less to send each of its subscribers a US\$359 Amazon Kindle digital reader than what the newspaper spends on printing in a year.⁵⁴

It is unlikely there will be a mass exodus from print circulation to digital-only delivery due to financial imperatives – revenue for Canada's community newspaper industry has grown 26% since 2000.⁵⁵ However, the move from print to digital-only will continue among Canadian publications over the next 2-3 years. These transitions will be fuelled by readership patterns and, in some cases, financial reasons. As such, the current recession will accelerate this shift, and the growth of the digital-only publishing industry.

⁵³ Source: Masthead QuickGuide: *Magazine Financial Ratios – Expenses*, from Statistics Canada Periodical Publishing Survey 2003/2004.

⁵⁴ Source: <http://www.businessinsider.com/2009/1/printing-the-nyt-costs-twice-as-much-as-sending-every-subscriber-a-free-kindle>

⁵⁵ Source: Community Media Canada: Snapshot 2007.

4 Cost/Revenue Analysis

Interviews with Canadian digital publishers confirmed there are a variety of cost and revenue models for digital-only publications. A few respondents indicated they are not satisfied with their current model and are still working on developing a model “that works.” This search for the right business model appears to be the case for many digital-only publications, given that only approximately 25% of the publishers interviewed that provided complete data made a profit in the last year.

To best capture the diversity of the digital-only business models, four cost models and five revenue models were developed and are presented in this section. The cost models are matched to total average revenues for each model, indicating the relative effectiveness of each as viable business model. A sample expense breakdown is also provided to illustrate an expense structure. Finally, a comparison is provided to show the cost and revenue allocations for the average magazine versus the average digital publication.

In total, the cost data of 12 digital-only publications and the revenue data of 13 digital-only publications were used to develop the following models. While these figures therefore may not be completely representative of an industry with more than 120 publications, they provide useful insight into the multiple cost and revenue structures used in this industry.

4.1 Digital-Only Publication Cost Models

4.1.1 Start-up Costs

The majority of interviewees indicated that upfront website design represents the largest start-up expense for digital only publications. Other costs incurred included marketing launch expenses, computers and equipment, rent, website hosting, professional fees, and purchase of third-party content.

It was not possible, however, to develop a representative model for start-up costs of digital-only publications due to the difficulty in obtaining complete/accurate data from the publishers interviewed. Specifically, data from publishers which have been operating for more than 10 years were not made available and data from owner-managed publications was incomplete as it excluded the owner’s time from the costs. Also, start-up costs were often reported as being spread out over an extended period of time as some digital-only publications started as side projects of the owner/publisher.

4.1.2 Operating Costs

The most common variable in the operating cost structures of digital-only publications is labour, and four cost models were developed to characterize different approaches to labour:

- Primarily volunteer labour;
- Primarily free-lance labour;
- Primarily employed labour; and
- A mix of all the above.

While some publications have a large, full-time staff, others are operated by fewer than five part-time or volunteer staff. Often in this latter case, many tasks, such as website design and content production, are performed by ‘employees’ with no set salary, and therefore costs are hard to discern. As a result, the cost models presented below are organized under primary labour structure categories. An overview of the cost composition derived from data gathered from the interviews of digital publications for each labour model is presented in table 8 below. (costs are presented as a percentage of revenue; based on 12 respondents).

Table 8: Canadian Digital-Only Publication Cost Models

	Model 1	Model 2	Model 3	Model 4	Average
	Volunteers	Freelancers	Employees	Mix	
Operating Costs (% of revenue)	95%	88%	109%	100%	103%
Content production & management	0%	40%	65%	41%	48%
Other Office staff	0%	0%	6%	0%	4%
Marketing/advertising	5%	17%	15%	11%	13%
Website administration	67%	23%	19%	20%	28%
Distribution	0%	0%	0%	0%	0%
Administration/Overhead (rent, power, heat etc.)	19%	4%	2%	13%	6%
Professional fees	5%	1%	1%	10%	3%
Other	0%	3%	1%	5%	1%
Total operating costs	95%	88%	109%	100%	103%
Net profit (loss)	5%	12%	-9%	0%	-3%
Fixed Costs	90%	18%	87%	60%	73%
Variable Costs	10%	83%	13%	40%	27%
% Respondents per Business Model	17%	17%	58%	8%	

Model 1 – Volunteers

- Content is primarily developed by unpaid staff (i.e. volunteers) resulting in little to no content production and management costs incurred by publisher;

- Website administration represents the largest cost (approximately 70%) which is a cost that cannot typically be avoided unlike unpaid content production and management; and
- Therefore, most costs (80-100%) are fixed.

Model 2 – Freelancers

- Content is primarily developed by freelance staff;
- Most costs (70-95%) are variable given freelance staff are paid per word/article; and
- Content production and management (40%) and website administration (23%) account for the two largest cost categories.

Model 3 – Employees

- Content is primarily developed by full-time and/or part-time employees;
- Majority of costs are fixed (approximately 85%) given the high reliance on employees for content development;
- Content production & management represents the largest cost to the publication under this model (approximately 65%); and
- Typically, overhead is low as it is shared with/subsidized by the publication's traditional print publishing business.

Model 4 – Mix

- The labour structure under this model is a mixture of volunteers, freelancers, and employees; and
- Ratio of fixed to variable costs is close to one to one (approximately 60:40 based on data collected).

Based on the interviews conducted, use of employees for content development and management (i.e. Model 3) is the most common. However, it was noted that some publications currently falling under Model 3 hope to move towards Model 2 in the future by increasing reliance on freelance writers.

4.1.3 Example Cost Breakdown

Table 9 below offers a complete 2007 and 2008 cost statement provided by an operational Canadian digital-only publication. It offers an example of one way digital-publications record their expenses, as well as the ratios for those expenses. While there is no representative cost model for digital-only publications, it should be noted that the publication that presented the breakdown below received substantial marketing funding in 2008. Therefore, marketing costs, which are represented in the Marketing & Public Relations and the Sales & Marketing lines are to be considered much higher than average.

Table 9: Sample Canadian Digital-Only Publication Cost Breakdown for 2007-08

Category	% 2008 Revenue	% 2007 Revenue	% Change 2007-08
Revenue	100%	100%	N/A
Amortization	2.21%	1.74%	0.47%
Branding & Design	6.31%	52.85%	-46.55%
Editorial	22.29%	13.79%	8.51%
General & Administrative	8.10%	10.22%	-2.11%
Marketing & Public Relations	22.34%	70.21%	-47.87%
Production	7.67%	6.80%	0.87%
Professional Fees	2.68%	10.75%	-8.07%
Rent and Utilities	3.92%	6.57%	-2.65%
Sales and Marketing	19.12%	23.52%	-4.41%
Technology Development⁵⁶	38.78%	27.65%	11.12%
Telephone and Internet	0.75%	2.36%	-1.62%
Total	134.17%	226.47%	-92.30%
Net Loss	34.17%	126.47%	-92.30%

4.2 Digital-Only Publication Revenue Models

Revenue models for digital-only publications are largely based on the various advertising models employed. Five have been identified for analysis, namely:

- Advertising-based cost per thousand (CPM);
- Traffic, advertising-based cost per click-through (CPC);
- Sponsored space or branded advertising;

⁵⁶ Includes 'back-end' website design, such as web programming, improvements to navigation architecture, article archiving etc.

- Public, charitable, or corporate funding; and
- Multiple sources.

The first three are variations of ad supported. The 4th is less common, but some digital-only publications derive the majority of their revenue from funding programs. A fifth model is based on a combination of multiple revenue sources.

No respondents relied primarily on subscriber revenue, and therefore, a model for subscriber revenue has not been presented below (in fact, only one respondent earned subscriber revenue, representing 40% of its total revenue). No respondents earned revenue using the "Pay per View" or "Subscriber data access for e-mail marketing" models). Table 10 below (based on 13 respondents) provides a breakdown of the relative amount of revenue attributed across revenue sources.

Table 10: Canadian Digital-Only Publication Revenue Models

	Model 1 Cost per Thousand	Model 2 Cost per Click	Model 3 Sponsored Space	Model 4 Funding	Model 5 Multiple Source	Average
Revenue						
Cost per thousand	94%	5%	0%	0%	3%	44%
Cost per click	2%	95%	0%	10%	0%	9%
Sponsored space - independent content	3%	0%	87%	0%	35%	27%
Sponsored space - advertorial content	0%	0%	13%	0%	26%	7%
Affiliated Revenue	2%	0%	0%	0%	0%	1%
Advertising & Sponsorship Revenue	100%	100%	100%	10%	64%	87%
Pay Per View	0%	0%	0%	0%	0%	0%
Subscription access to content	0%	0%	0%	0%	20%	3%
Subscriber data access for e-mail marketing	0%	0%	0%	0%	0%	0%
Total subscriber revenue	0%	0%	0%	0%	20%	3%
Federal/Provincial funding	0%	0%	0%	90%	10%	8%
Other	0%	0%	0%	0%	6%	1%
Total Revenue	100%	100%	100%	100%	100%	100%
Total Operating Costs	93%	N/A	108%	100%	118%	N/A
Profit (Loss)	7%	N/A	-8%	0%	-18%	N/A
% of Respondents per Business Model	46%	8%	23%	8%	15%	

Note that for each of the first four models, more than 85% of the revenue is derived from one source only. In the multiple sources model no more than 60% of the revenue is sourced from a single revenue category. Based on the interviews conducted, CPM advertising (i.e. Model 1) is the most common.

4.3 Digital/Print Cost/Revenue Model Comparison

Costs and revenues tied directly to digital (website design) and print (printing) publications make direct cost revenue comparisons impossible. However, there are revenue (advertising, subscription) and cost (content production, marketing) categories that are useful to compare between digital and print publications. Tables 11 and 12 below present the typical cost and revenue models for print periodicals beside the average cost revenue models for digital-only publications for a rough comparison. The most comparable cost and revenue categories are listed for print periodicals (on the left) and for digital publications (on the right).⁵⁷

Table 11: Print/Digital-Only Publication Cost Comparison

Print Periodicals ⁵⁸		Digital-Only Publications ⁵⁹	
Cost Categories	% of Rev.	% of Rev.	Cost Categories
Editorial & Design	16%	48%	Content Production & Management
Production & Printing	28%	28%	Website Administration
Circulation	9%	N/A	N/A
Advertising	12%	13%	Marketing/Advertising
Distribution	7%	0%	Distribution
Administration & General	14%	6%	Admin/Overhead
Website/E-Commerce	1%	N/A	N/A
Ancillary Products	2.0%	1%	Other

It is interesting to note that the percentage costs of print runs for the print magazines are roughly comparable to the cost of web design and administration. Also, although there are no distribution and circulation costs reported for digital-only publications it must be assumed that a portion of the costs from content production and website administration represent 'distribution' costs, as the editorial content is distributed through the website.

Editorial and design costs are roughly three times the size for digital as a percentage of revenue than for print. Overall, these proportions for digital publications are in evolution since the industry is not at all mature. Greater success on the revenue side would probably show that digital publications have a cost structure that is less variable than print – for example, the marginal cost of production is close to nil.

⁵⁷ All costs shown for print and digital-only publications are displayed as a percentage of revenue. Costs received from digital-only publications consulted were converted to be displayed as a percentage of revenue to better illustrate profit or loss.

⁵⁸ Source: *Masthead QuickGuide: Magazine Financial Ratios – Expenses*, from Statistics Canada Periodical Publishing Survey 2003/2004.

⁵⁹ Source: Average totals from 12 digital-only publications interviewed.

Table 12: Print/Digital-Only Publication Revenue Comparison

Print Periodicals ⁶⁰		Digital-Only Publications ⁶¹	
Revenue Categories	% of Revenue	% of Revenue	Revenue Categories
Advertising	64%	87%	Advertising & Sponsorship
Single-copy Sales	8%	0%	Pay Per View
Subscription Sales	19%	3%	Subscription Access
Government Grants	2%	8%	Federal/Provincial Funding
Website/E-Commerce	1%	N/A	N/A
Ancillary Products	2%	N/A	N/A
Other Revenues	4%	1%	Other

The revenue sources comparison shows how print magazines rely more on subscription or single copy sales than digital publications. Since it appears that few digital-only publications have as yet to find a workable business model, it is interesting to speculate on where additional revenue might be sought – whether more effective advertising, some form of subscription or membership revenue, or a new source not yet fully developed.

⁶⁰ Source: *Masthead QuickGuide: Magazine Financial Ratios – Revenue*, from Statistics Canada Periodical Publishing Survey 2003/2004.

⁶¹ Source: Average totals from 13 digital-only publications interviewed.

5 Funding Challenges and Best Practices

Currently, there are limited funding windows available to digital-only publications. Where they do exist, funding support programs available to digital-only publications are commonly open to other applicants as well, such as print magazines or other types of digital products. In fact, research into federal and provincial funding programs revealed there is no dedicated funding program for digital-only publications in Canada – not a surprising revelation considering the relative nascence of the industry.

There are currently four funding programs available to digital publications – either digital-only, or those affiliated with a print publication. These programs are:

- Canada Council for the Arts' **Grants to Literary and Art Magazines**;
- Ontario Arts Council's **Grants to Periodicals**;
- Ontario Media Development Corporation (OMDC)'s **Magazine Fund**; and
- Telefilm Canada's **Canada New Media Fund**.

An examination of these programs identified some of the key parameters commonly used by funders, including eligibility criteria; structure of the fund (e.g. which aspects of the cost model to support); and possible funding amounts. Acknowledging these key parameters led to an examination of other funding programs that do not support digital publications for additional examples of existing, useful, funding practices. As such, the following funds were also examined:

- Alberta Foundation of the Arts' **Magazine Publishers Operating Grant**; and
- OMDC's **Interactive Digital Media Fund**.

Finally, since determining parameters to distinguish digital-only publications from other forms of online content represents a critical element to developing any potential funding window, additional programs were examined to further inform this criterion.⁶² Specifically, the eligibility criteria for the following newly-established online publishing awards programs were considered:

- *MastheadOnline's* **Canadian Online Publishing Awards**; and
- National Magazine Award Foundation (NMFA)'s **National Online Journalism Awards**.

⁶² The eligibility criteria examined in this section informed the definition developed in section 2 of this study.

An overview of each of these funds/awards programs is presented below, followed by a summary of eligibility parameters, program structures and funding amounts. It should be noted that the eligibility requirements by funding bodies are dynamic and are constantly reassessed and updated to best suit the current state of the industry.

5.1 Overview of Funding/Awards Programs

Canada Council for the Arts (CCA) - Grants to Literary and Art Magazines⁶³

Through its Grants to Literary and Art Magazines program the CCA provides “grants to literary and art magazines that promote excellence in artistic expression and foster awareness of the contemporary arts and literature in Canada.” In 2001, this program was expanded to accommodate electronically published magazines as a result of a surge of digitally-based applicants. In 2007, nine digital publications received a total of \$72,200 in grant money from the CCA (see table below).

Table 13: Canada Council for the Arts - Electronic Magazine grant recipients, 2007

Recipient	City	Province	Riding	Grant
.dpi, revue électronique	Montreal	QC	Laurier-Sainte-Marie	\$4,000
Archée	Montreal	QC	Hochelaga	\$6,900
Canadian Electroacoustic	Montreal	QC	Notre-Dame-de-Grâce-Lachine	\$16,100
Centre international d'art contemporain de Montréal	Montreal	QC	Westmount-Ville-Marie	\$13,900
Dfdanse le magazine de la danse actuelle à Montréal	Montreal	QC	La Pointe-de-l'Île	\$4,600
Hors Champs	Montreal	QC	Laurier-Sainte-Marie	\$10,600
Montréal Serai	Montreal	QC	Westmount-Ville-Marie	\$3,500
The Cultural Gutter	Toronto	ON	Scarborough East Pickering	\$5,300
The Danforth Review	Toronto	ON	Toronto-Danforth	\$7,300
Total				\$72,200

There is open competition between digital and print publications for grants offered through the CCA's program. Applicants are only distinguished based on how long they have been operational, which determines whether they should apply for the New Magazines component or the regular funding stream. Also, applicants may only apply for either program as a print or electronically published magazine, not both.

⁶³ Source: <http://www.canadacouncil.ca/NR/rdonlyres/3D918A00-0880-4E93-81BF-84DFEB436757/0/WRG15E109MRWedit6Jan08.pdf>

The New Magazines component of the CCA's Grants to Literary and Art Magazines program provides seed grants between \$5,000 and \$15,000. Applicants are judged in terms of literary and artistic potential, with print and digital publications being held to the same content and quality criteria. Publications that have received a grant through the New Magazines component become eligible for the regular program in subsequent years. Grants in the regular program are distributed based on: a demonstrated need for support; a peer assessment committee's evaluation of its excellence; the proposed publishing program; and the number of issues published the previous year. Specifically, the breakdown of assessment criteria used by the peer committee is: Artistic and Editorial Quality (60%); Contribution to Canadian/Regional Contemporary Literature and the Arts (10%); and Marketing and Professional Excellence (30%).

Additionally, Digital publications are only eligible if they can demonstrate a minimum of 250 visits per issue. As well, successful applicants are flown to Ottawa to navigate their digital publication in front of the CCA's peer assessment committee.

Ontario Arts Council (OAC) – Operating Grants for Arts Organizations (Periodicals)⁶⁴

The OAC's Grants to Periodicals program supports operating expenses of professional magazines, including online magazines, to assist them to publish literature, arts and cultural commentary for the public in order to sustain a healthy arts community. Grants are awarded to help organizations make or present high quality work for a wide range of audiences and participants. The program offers annual operating grants ranging between \$2,500 and \$45,000.

As with the CCA grant program, the OAC generally holds digital publications to the same content requirements as print periodicals, with the exception of circulation and ad sales revenue requirements. Rather than traditional circulation, online magazines must receive significant traffic (at least 2,000 unique hits per month), and demonstrate a dedicated readership (regular visitors who provide their e-mail addresses for updates, RSS subscribers, etc.).

The program is further only available to periodicals that have sustained a minimum of two years of regular programming as of the date of application. Therefore, grants are not available to start-ups.

⁶⁴ Source: <http://www.arts.on.ca/AssetFactory.aspx?did=4193>

Ontario Media Development Corporation – Magazine Fund⁶⁵

The OMDC’s Magazine Fund “provides funding to support projects that have objective and measurable results and indicate overall long-term business growth of the magazine publisher.” The fund offers two funding streams, targeting: traditional business development/marketing activity projects; and digital enhancement projects. Both streams are available only to print-based publications (digital enhancement projects must be related to a print publication) and funding levels for both are based on the publication’s sales revenue, with total funding ranging from \$35,000 to \$75,000 per project (see table below).

Table 14: Funding levels available to publishers

Eligible Sales Revenues	Traditional Project – up to	Digital Enhancement up to	Total Funding Available per Applicant
Over \$2,000,000	\$55,000	\$75,000	\$75,000
\$501,000 to \$2,000,000	\$45,000	\$60,000	\$60,000
\$20,000 to \$500,000	\$25,000	\$35,000	\$35,000

Funding through either project stream additionally cannot exceed 75% of the budget of the proposed project.

Digital enhancement project funding is available to both planned activities and those currently underway by the publisher. Funding is available to support enhancing internal workflow/backend processes, marketing, selling and distribution of printed and online magazine formats, and digitization/new formats of magazine content. More specifically, OMDC identifies the following as potential digital enhancement projects:

- redesign/upgrade of website to include online subscriptions;
- enhancement of online magazine formats;
- online advertising sales campaigns;
- podcasts, videos, webcasts;
- search optimization by subject and/or back issues;
- interactive game based on magazine’s content;
- exploration of alternate sales channels;
- research and development of a digital transformation strategy/business plan.

⁶⁵ Source: <http://www.omdc.on.ca/AssetFactory.aspx?did=6187>

Eligibility is further limited to publications demonstrating at least 75% Canadian editorial content, and those that have completed a one-year publishing cycle. An applying company's overall business strategy is also a key criterion used by the jury reviewing applications.

Telefilm – Canada New Media Fund⁶⁶

Although it is not generally considered a publishing fund, Telefilm's Canada New Media Fund (CNMF) financially supported production and marketing activities of two digital-only publications in 2008. The CNMF is officially designed to support the creation and the distribution of interactive digital cultural content products in both official languages.⁶⁷ As producers of digital content products, digital publishers Daily Dose Media Inc. and Le Groupe 33 were able to access \$213,000 in combined funding last year (see table below).

Table 15: Canada New Media Fund 'Digital Publication' funding recipients⁶⁸

Title	Applicant	Region	Language	CNMF component	Funding Amount
Daily Dose Media (the Vitamin group of websites)	Daily Dose Media Inc.	West	English	Marketing	\$100,000
33MAG version 2008	Le Groupe 33	Quebec	French	Production	\$113,000

The majority of the CNMF's activity occurs in its Product Assistance component which offers conditionally repayable advances for development, production and marketing activities. The three streams of the Product Assistance component are broken down as follows:

- **Development** – up to 50% of eligible costs (maximum of \$250,000) for conceptualizing an interactive product (feasibility study, market assessment, etc.) and/or for the development of the creative and technical elements of the interactive product.
- **Production** – up to 50% of eligible costs (maximum of \$550,000) for the development of a final, market-ready version of the product, including localization of the product and early marketing/commercialization activities.

⁶⁶ Source: http://www.telefilm.gc.ca/upload/fonds_prog/2009-2010-cnmf-product-assistance.pdf

⁶⁷ Canadian Heritage announced in the Spring of 2009 that it would combine the CNMF with the Canadian Television Fund to form the Canada Media Fund (CMF), targeted to be operational in 2010.

⁶⁸ Source:

<http://www.telefilm.gc.ca/01/18.asp?lang=en&period=2008%2F4%2F1%2C2008%2F9%2F30&search=true&imagefield.x=9&imagefield.y=9>

- **Marketing** – up to 50% of eligible costs (maximum of \$550,000) for activities such as design costs, creation and market-testing of advertising.

Eligible products, as described by Telefilm, include websites that “provide[s] the user with an interactive experience occurring between the user and software or the user and other users as enabled by software, which allows them to play, learn or otherwise be entertained.”⁶⁹ This criterion is generally met by the majority of digital-only publications.

Catalogues and compilations of repurposed material are excluded from consideration by the CNMF. Digital publications also have to demonstrate that they have a third party investment (cash or services) or a related party investment (cash), and that they have a separate business and marketing plan distinct from any existing commercial entity, such as a print publication.

Alberta Foundation of the Arts – Magazine Publishers Operating Grant⁷⁰

The Alberta Foundation of the Arts’ Magazine Publishers Operating Grant offers funding allocations between \$10,000 and \$100,000 to magazines that have been published for at least one calendar year in Canada, with at least two, and no more than twelve, issues per year. Magazines additionally have to be literary, cultural, artistic or children’s interest in nature, and must have a print run of at least 500 copies.

Additional eligibility parameters include: 50% editorial content; 75% of editorial content must be authored by Canadians; applicants must have editorial policies and decisions that are in the sole control of an editor or editorial board; and start-up magazines are not eligible.

Ontario Media Development Corporation – Interactive Digital Media Fund⁷¹

The OMDC Interactive Digital Media Fund “is designed to provide Ontario interactive digital media content companies with access to the final piece of funding required to move their content projects into production.”⁷² Successful applicants receive a non-refundable contribution of up to \$150,000 to a maximum of 50% of the project budget to create a market-ready interactive digital media content product.

The Interactive Digital Media Fund is primarily designed to support screen-based companies involved in the creation of complete content products, which clearly excludes digital

⁶⁹ Ibid.

⁷⁰ Source: <http://www.affta.ab.ca/forms/AFA0035.pdf>

⁷¹ Source: <http://www.omdc.on.ca/Page3215.aspx>

⁷² Ibid.

publications. However, it is instructive that this fund is designed as the final piece of funding to ready content for market, which is a type of support that would be useful to newly-launched digital-only publications as well.

Masthead Online - Canadian Online Publishing Awards⁷³

MastheadOnline launched the first-ever Canadian Online Publishing Awards in April 2009 to recognize the work of editors and writers at Canadian magazine websites. General eligibility requirements are that the publication must carry some original editorial content, and a minimum average of 80% Canadian editorial content. Daily newspapers and community newspapers are not eligible.

Overall, the *MastheadOnline* awards will recognize excellence in the following ten categories (aside from the first two categories, which specify between print-based and digital-only publication websites, all categories are open to content from either type of digital publication):

Table 16: *MastheadOnline* Canadian Online Publishing Awards Categories

Category	
1.	Best overall magazine website (for websites that also have a print publication)
2.	Best overall online-only publication website (for websites that do not exist in print)
3.	Best website design
4.	Best news coverage
5.	Best blog
6.	Best video feature
7.	Best community feature
8.	Best online-only article or series of articles
9.	Best cross-platform initiative
10.	Best e-newsletter

Each of the ten online publishing awards under the program is additionally divided into two categories depending on the type of online publication, editorial content and primary audience:

- A 'Red' category is reserved for consumer, custom, religious, and public association publications; and

⁷³ Source: <http://www.canadianonlinepublishingawards.com/>

- A 'Blue' category is for business-to-business, professional association, farm, and scholarly publications.

No cash prize has been identified for award winners. Rather, an expectant surge in website traffic from publicity is identified as one of the major benefits to winners, as is promotion through *MastheadOnline* press releases.

National Magazines Awards Foundation (NMAF) – National Online Journalism Awards⁷⁴

The NMAF is currently developing a National Online Journalism Awards program. As such, the NMAF has elected to use broad eligibility parameters for the first year of the program, which will be amended as appropriate for the second year based on year-one submissions. Both print magazines and digital-only magazines are eligible, with each type of website being required to contain an unspecified but "significant amount of original content." Applicants must also have at least one editor that controls the content, tone and point of view of the site, which cannot be primarily a personal blog (blogs may be elements on the site). Depending on government and corporate funding, the award is likely to be \$1000 for gold and \$500 for silver.

The full set of eligibility criteria for the NMAF's online journalism awards are:

Table 17: NMAF National Online Journalism Awards Eligibility Criteria

Criteria	
1.	A magazine's website or an online-only magazine
2.	Must be editorial in nature
3.	Primary function is to inform or entertain rather than to sell products or promote a business
4.	Must include a significant amount of original content
5.	Must have at least one editor (producer) who makes creative decisions about the content, tone and point of view of the site
6.	It cannot be a personal blog although blogs may be elements on the site
7.	Originally conceived, or derived from print component, as editorial pieces
8.	51% Canadian-owned and published in either French or English or both
9.	Entries provided as URLs and in general use for at least part of calendar year
10.	Screenshot must be included as a PDF or JPG in the submission

⁷⁴ National Online Journalism Awards program is in development stages.

11. Follow Canadian Magazine Industry Advertising – Editorial Guidelines⁷⁵ and American Society of Magazine Editors Guidelines for Editors and Publishers⁷⁶
12. Awards limited to Canadian content creators (editors, designers, freelancers) and are open only to work commissioned by the magazine/website

5.2 Summary of Funding Challenges and Best Practices

Locating and accessing one of the very few funds that support their business is currently one of the main challenges for digital-only publications seeking funding support. The limitations in funding windows, however, is not surprising given the relative nascence of the industry.

The shift by some existing funding programs, such as those offered by the CCA and OAC, to include digital publications in the same programs for print magazines shows a willingness by existing funders to support this industry. The ability of digital-only publications to access Telefilm CNMF funding also shows the flexibility afforded digital publishers to achieve eligibility for various funding sources until dedicated support programs come online.

Challenges also exist around designing a fund that could serve digital-only publications. Without any substantial market research to draw from, it is difficult for potential funding bodies to develop the most effective eligibility criteria, support practices and funding amounts. Existing practices for funding digital publications, print publications, digital products and for awards programs can be examined to determine commonalities that may inform how to address these challenges.

It should be noted that some criteria from different programs directly conflict with each other. Most notably, the majority of print magazine funds require applicants to have been in business for at least one year (e.g. they do not fund start-ups), but the OMDC Interactive Digital Media fund is specifically designed to provide digital products with the funding necessary to go to market. This illustrates the balance that may need to be achieved by potential funders to best support digital-only publications as both publications and digital content products.

The tables below compile existing practices used by funding bodies and awards programs for determining eligibility, support practices and funding amounts, illustrating commonalities between existing programs.

⁷⁵ <http://www.magazinescanada.ca/files/Advertising-Editorial%20Guidelines.pdf>

⁷⁶ http://www.magazine.org/asme/asme_guidelines/guidelines.aspx

Eligibility criteria from the examined funds and awards programs informed the development of the definition for Canadian digital-only magazines presented in Section 2. As is clear from the table below, even though eligibility parameters differ in terms of specifics, they commonly relate to readership levels, content type, editorial oversight and business plans. Funding bodies more typically also require eligible applicant publications to have been in operation for at least one year.

Table 18: Summary of Funding and Award Program Eligibility Criteria

Eligibility
<p>Readership/Wantedness:</p>
<p>Demonstrate a minimum of 250 visits per issue (supported by statements by their ISP) [CCA Grants to Literary and Art Magazines];</p> <p>Receive significant traffic (at least 2,000 unique hits per month) [OAC Operating Grants for Periodicals];</p> <p>Demonstrate a dedicated readership (regular visitors who provide their e-mail addresses for updates, RSS subscribers, etc.) [OAC Operating Grants for Periodicals].</p>
<p>Content</p>
<p>At least 75% Canadian editorial content [OMDC Magazine Fund];</p> <p>75% of editorial content must be authored by Canadians [AFA Magazine Publishers Operating Grant];</p> <p>Minimum average of 80% Canadian editorial content [MastheadOnline Online Publishing Awards];</p> <p>50% editorial content [AFA Magazine Publishers Operating Grant];</p> <p>Must carry some original editorial content [MastheadOnline Online Publishing Awards];</p> <p>Compilations of repurposed material are excluded from consideration [Telefilm CNMF];</p> <p>Must be editorial in nature [NMAF Online Journalism Awards];</p> <p>Must include a significant amount of original content [NMAF Online Journalism Awards];</p> <p>Must have at least one editor who makes creative decisions about the content, tone and point of view of the site [NMAF Online Journalism Awards];</p> <p>Editorial policies and decisions that are in the sole control of an editor or editorial board [AFA Magazine Publishers Operating Grant].</p>
<p>Age and Publishing Frequency</p>
<p>Completed a one-year publishing cycle [OMDC Magazine Fund];</p> <p>Published for at least one calendar year in Canada [AFA Magazine Publishers Operating Grant];</p> <p>Start-up magazines are not eligible [AFA Magazine Publishers Operating Grant];</p> <p>Have sustained a minimum of two years of regular programming [OAC Operating Grants for Periodicals];</p> <p>At least two, and no more than twelve, issues per year [AFA Magazine Publishers Operating Grant].</p>
<p>Business Model</p>
<p>Overall business strategy is also a key criterion used by the jury reviewing applications [OMDC Magazine Fund];</p> <p>Demonstrate a third party investment (cash or services) or a related party investment (cash) [Telefilm CNMF];</p> <p>Have a separate business and marketing plan distinct from any existing commercial entity, such as a print publication [Telefilm CNMF].</p>

The support practices used by funding programs for digital publications, print publications and digital products tend to be more varied. Indeed, an examination of existing funds does not provide a clear direction to take as a best practice for funding digital-only publications. As there is currently no dedicated fund for digital-only publications, anybody seeking to begin one would set the precedent for the specific support practices used.

Considering digital-only publications on average did not make an operating profit last year, operating grants would clearly be welcomed by the industry. However, focused funds intended to be used for specific development or marketing initiatives may have a more measured impact. Marketing funding, specifically, could be used for audience building which in turn would increase the advertising potential of a digital-only publication.

Table 19: Summary of Publishing and Digital Products Support Practices

Support Practices
Operating grants [CCA Grants to Literary and Art Magazines & OAC Grants for Periodicals].
Seed grants [CCA Grants to Literary and Art Magazines].
Funding specific enhancement projects, such as: redesign/upgrade of website to include online subscriptions; enhancement of online magazine formats; online advertising sales campaigns; podcasts, videos, webcasts; search optimization by subject and/or back issues; interactive game based on magazine's content; exploration of alternate sales channels; and research and development of a digital transformation strategy/business plan [OMDC Magazine Fund].
Development funding for conceptualizing an interactive product (feasibility study, market assessment, etc.) and/or for the development of the creative and technical elements of the interactive product [Telefilm CNMF].
Production funding for the development of a final, market-ready version of the product, including localization of the product and early marketing/commercialization activities [Telefilm CNMF].
Marketing funding for activities such as design costs, creation and market-testing of advertising [Telefilm CNMF].
Go-to-market funding, providing the budget to finalize a market-ready interactive digital media content product [OMDC Interactive Digital Media Fund].

Funding amounts tend to vary greatly from one fund to another. As the table below illustrates, operating grant amounts for publications range from \$4,000 to \$150,000. Moreover, funds dedicated to the marketing, production or development of digital products is capped at as much as \$550,000. One approach for developing appropriate funding levels for digital-only publications is to cap the funding amounts at a percentage of the demonstrated budget for a particular practice or project, as is commonly the case for digital products.

Table 20: Summary of Publishing and Digital Product Funding Amounts

Funding Amounts
Funding Levels
Grants between \$4,000 and \$16,100 [CCA Grants to Literary and Art Magazines].
Grants between \$2,500 and \$45,000 [OAC Operating Grants for Periodicals].
Funding levels based on the publication's sales revenue, with total funding ranging from \$35,000 to \$75,000 per project [OMDC Magazine Fund].
Development funding up to \$250,000 [Telefilm CNMF].
Production funding up to \$550,000 [Telefilm CNMF].
Marketing funding up to \$550,000 [Telefilm CNMF].
Non-refundable contribution up to \$150,000 [OMDC Interactive Digital Media Fund].
Grants between \$10,000 and \$100,000 [AFA Magazine Publishers Operating Grant].
Funding Formulas
Cannot exceed 75% of the budget of the proposed project [OMDC Magazine Fund].
Up to 50% of eligible costs [Telefilm CNMF & OMDC Interactive Digital Media Fund].

6 Summary of Key Findings

Throughout the process of preparing this report, the project team uncovered multiple findings that appear to be largely unique to the digital-only publishing industry. These findings speak to the nature of the digital-only publishing industry, including its distinguishing factors and the challenges it faces due to its relative nascence. The findings are listed below, generally in the same order that they appear throughout the report.

1. While a definition for digital-only publications can be largely based on the definitions for print magazines and newspapers, a few print-based considerations lose their relevance in the digital realm, including:
 - a. Distinguishing between magazines and newspapers: Common distinguishing factors like publishing schedule, geography, appearance and content are much less apparent for digital publications. Therefore digital ‘magazines’ and ‘newspapers’ are best defined under a single ‘digital publications’ definition.
 - b. Publishing schedules: Specific publishing schedule requirements (magazines commonly cannot publish fewer than twice and more than 52 times per year) are not relevant for digital-only publications, which can literally publish, or post, new content hundreds of times per day.
 - c. Using circulation and subscription sales as the primary measurements of wantedness: Digital-only publications use multiple distribution models that must be accounted for in wantedness measurement to ensure popular publications are not discounted because they don’t have circulation lists or subscription sales.
2. A digital-only publication definition that allows for new digital publishing business models runs the risk of being overly broad or inclusive. Using criteria that qualify the editorial professionalism is necessary to distinguish digital publications from other websites such as personal blogs or corporate websites. Mandating an editorial function and a visible masthead are two such criteria.
3. Although some magazine industry associations allow digital-only publications as members, they do not all have set membership eligibility criteria for digital-only publications. Those that do have eligibility criteria recognize that the parameters will evolve over time to accommodate new innovation in the digital publishing sector.
4. A full 70% of the digital-only publications identified through this study are located in the Greater Toronto Area, Ottawa, Montreal or Vancouver. Even though digital technology largely removes common geographical barriers to business (especially publication delivery), publishers still primarily locate in major centres.
5. Digital-only publishers employ multiple digital formats for delivery, ranging from websites and email to streaming video and podcasts. Most of the publishers who don’t currently use multiple digital formats are looking to leverage these alternate

- distribution options in the future. However, as 100% of digital-only publishers currently use a website as part of their delivery model, it seems likely that websites will remain part of the delivery solution for the very large majority of digital-only publications going forward.
6. Downloadable digital editions – which resemble an on-screen magazine with static pages and no live links to click through to other articles – are commonly used by publications that have made the switch from print to digital-only distribution. This delivery format is therefore likely to remain prevalent as this trend continues. Digital editions have also, however, been adopted by some new Canadian digital-only publications. Although this delivery model doesn't leverage many advantages of the Internet, the unique issue model appeals to former print publishers and is well suited to digital readers such as the Amazon Kindle.
 7. There are three delivery models most commonly used by digital-only publications. They are:
 - a. Open access to content (including free subscription access);
 - b. Scheduled email delivery of content; and
 - c. Paid subscription access to content.
 8. The tools available to measure readers of digital publications are far more precise than anything that has ever been available for print publications. However, partly because of the many measurement options, there is no consensus on how best to track wantedness of digital-only publications. Digital publishers commonly use tracking measures most relevant to their business models to illustrate wantedness to advertisers and sponsors. Governing bodies should similarly adopt measurement methods for each access/distribution model. The following three wantedness measurement methods appear to be the most applicable at this time (although wantedness measurement practices should be reviewed on a regular basis to account for the rapidly evolving digital publishing landscape):
 - a. Unique visitors & bounce rate: to measure wantedness of open access and free subscription digital publications;
 - b. Email circulation lists/SMTP logs: to measure wantedness of email delivery digital publications; and
 - c. Online subscriptions: to measure wantedness of digital publications with paid subscriptions.
 9. Digital publishers make the most of their generally limited budgets by commonly using free or low-cost marketing techniques to build their readership/audiences. These include cross-promotion, search engine optimization, events and social networking.
 10. Digital publishers are challenged by the perception of the reduced value of their readership/audiences when compared with those of print publications. Although the majority of digital-only publications rely on advertising and/or sponsorship as their

principal source of revenue, digital publishers identify the ability to attract advertising as a common weakness.

11. The ongoing struggles of print publications will actually benefit the digital publishing industry. As the viability of print magazines and newspapers are continually threatened by reductions in advertising spending, some publishers will forego their print issues in favour of digital-only distribution as a lower-cost option and to accommodate changes in readership trends. This shift will increase the number of digital-only publications in Canada.
12. Digital-only publications commonly control their costs through their use of labour. They often employ volunteer and freelance labour, or many tasks, such as website design and content production, are performed by 'employees' with no set salary (often the owner/publisher conducting tasks on their 'own time').
13. The majority of digital-only publications (77%)⁷⁷ rely on advertising of some form (cost per thousand, cost per click or sponsored space) as their primary revenue source. These digital-only publications also derive more than 85% of their revenue from only one type of advertising, as opposed to a more even mix of two or three types.
14. Funding programs should reflect that digital-only publications are both publications and digital products. For instance, while the majority of magazine funds do not finance start-ups (publications that have been in operation for less than one year), digital product funds often provide 'go-to-market' financing.

⁷⁷ Based on a sample of 13 publications.



Appendix A: Database of Digital Publications

Excel file attached.

Appendix B: Additional Potential Funding Eligibility Criteria

To be eligible for funding, it is recommended that a Canadian digital-only publication satisfy the following criteria:

- Be headquartered and incorporated/registered as a business in Canada;
- Has been available and maintained an editorial schedule for a minimum of 12 months;
- Fulfills the primary function of informing or entertaining, rather than selling products or promoting a business;
- Must not violate the standard provisions against offensive content of the Cultural Industries Branch;
- Is not published directly or indirectly by any government or its agencies;
- Is not published directly or indirectly by groups or associations such as fraternal, trade and professional associations, trade unions, credit unions, co-operatives, religious, community, recreational or business organizations, and which primarily report on the activities of the group or organization, or which primarily promote the interests of the group or organization, or its members;
- Is not a bulletin, newsletter or magazine written by, or run by, students within the context of academic courses or training sessions;
- Receives at least 35% of its revenue from either advertising and sponsorship, donations or subscription sales⁷⁸;
- Counts paid subscriber, registered email recipients and unique monthly visitors of international affiliates towards circulation ceiling in cases of eligible split-run publications.

⁷⁸ Proxy for 50% paid subscription eligibility requirement for print publications. Although not at a 50% level, it is to provide a demonstration of the publication's ability to generate revenue.

Appendix C: Definitions of Magazines and Newspapers

	Form	Original Content	Content type	Editorial/ Quality control	Circulation	Ownership/ Corporate criteria
Department of Canadian Heritage	Magazine (Print)				Consecutively numbered issues; regular intervals; 2 min.; 56 max.	
	Community Newspaper (Print)				Non-daily; regular intervals; geographic community	
ISSN	Electronic Publication		Not only abstracts of articles, commercial or personal web pages, or those pages that contain only links to other URLs			
Association de la presse francophone	Newspapers (Print)		65%+ reported material on the first page; 30%+ throughout	Published under an identified editor	At least 10 per year	Must be have an office in the jurisdiction it services.
Magazines Canada	Magazine (Print)	No more than 70% devoted to advertising	*80% Canadian authored		Subscription price; Not a house organ and non-exclusive; available for 1+ years; <1 year probationary	51% Canadian owned (manager, editor, financial affairs)

	Form	Original Content	Content type	Editorial/ Quality control	Circulation	Ownership/ Corporate criteria
					membership; 100+ copies	
Magazines du Quebec	Magazine (Print)		Primarily written OR edited in Quebec	Independent publisher or editor	More than 4 times per year, and must adhere to Canada Post category 3 or 4	
SODEP (Cultural Periodicals in Quebec)	Magazines (Print)		Not from a professional organization or public entity Not mainly Free.	Majority in French	2 times per year or more	Quebec-Owned
Cultural Human Resources Council	Webzine (Electronic)		Not a Blog	Editorial control system	Hosted on internet; published on regular basis (weekly, biweekly, monthly);	
	Zine (Electronic)		Not a Blog		Sent by e-mail	
Canada Council (Grants)	Magazines (Electronically published)	Focus on editorial content	Written by Canadians	**Content control same as print	Published on regular basis; 2x/year min.; 250 visits per issue;	75% Canadian-owned
Canada Post	Newspapers and Magazines	Produced for the purpose of disseminating news and/or information	Less than 70% advertising content in more than ½ of issues over a 12 month period		At least 2x per year, with the intent to publish issues indefinitely with continuity from issue to issue.	

	Form	Original Content	Content type	Editorial/ Quality control	Circulation	Ownership/ Corporate criteria
Ontario Media Development Corp.	Magazine (Print)	Editorial content is not predominantly reproduced	75% Canadian editorial content	Edited, designed, published in Ontario	Completed 12 month business year; 2500 copies; 28 pages min.; consecutively numbered under common title; regular intervals – 1/week max., 2/year min.	
Alberta Magazine Publishers Association	Magazine (Print)	***Advertising/ editorial ratio not more than 70:30	Does not fall within CMF definition of newspaper	Managerial and editorial control in office in Alberta; accepted standards of editorial quality	Established 12 months regular frequency of publication; 2x min. has subscription price	51% owned by Canadian citizens or landed immigrants
	Online magazines – admitted on case-by-case basis					

Appendix D: Interview Guide

1. Publication Profile

To assess nature of content and distribution of publication.

1. Please enter the following information:
 - a. Interviewee Name:
 - b. Company:
 - c. Email Address:
 - d. Interviewer Name:
2. How many years has your publication been in business?
3. What is the content type/subject matter of your publication:
4. What is your publishing frequency/update schedule?
5. How does the publishing schedule deal with breaking news vs. reflective content?
6. What digital formats are used for delivery (e.g. website, email notifications, rss feeds, etc.) What are the purposes for each (email for breaking news updates, etc?)
7. What is your estimated monthly readership? How is it tracked (all methods)?
8. Are you affiliated with and/or do you own any other digital publications? Please identify all.
9. What would you consider your:
 - a. Strengths:
 - b. Weaknesses:
 - c. Opportunities:
 - d. Threats:

2. Revenue

1. Advertising: What was the percentage of your 2008 revenue for each the following:
 - a. Total Advertising and Sponsorship Revenue:
 - b. A&S revenue from CPM (cost per thousand) display ads on site:
 - c. A&S revenue from CPC (cost per click) ads on site:
 - d. A&S revenue from sponsored space with editorially independent content:
 - e. A&S revenue from sponsored space with 'advertorial' content:
 - f. Affiliate Revenue (cost per acquisition/commissioned based ad revenue):
 - g. Additional Notes/Comments:
2. Subscriber revenue: What was the percentage of your 2008 revenue for each the following:

- a. Total subscriber revenue:
 - b. Revenue from Pay Per View access to documents:
 - c. Revenue from subscription access to content:
 - d. Subscriber data access for e-mail marketing:
 - e. Additional Notes/Comments:
3. Funding: Percentage of 2008 revenue from:
- a. Funding: Percentage of 2008 revenue from:
 - b. Federal/Provincial funding:
 - c. Please specify which ones:
 - d. Additional Notes/Comments:
4. Other Revenue (access to consumers, etc.) Please identify source, and percentage of total 2008 revenue.
5. Year-over-year revenue anomalies: Please identify any noticeably varied revenue stream percentages from the last year compared to the previous, or historical revenue structure (i.e. one-time grants, new large clients, etc.)
3. Start-up/Capital Costs

For companies in first year of operations, be sure to distinguish between start-up costs and year-one operating costs.

1. What were your company's start-up/capital costs for the following (as a percentage of total start-up/capital costs)
 - a. In-house website hosting: what were the website hardware start up: costs? (i.e. server, etc.)
 - b. Equipment & computers:
 - c. Upfront website design:
 - d. Upfront security costs for Payment (e.g. Paypal):
 - e. Upfront security costs for E-store/e-commerce:
 - f. In-house e-store: start-up cost?:
 - g. Leasehold improvements:
 - h. Furniture:
 - i. Legal and Accounting fees:
 - j. Labour:
 - k. Marketing launch expenses:
 - l. Other (percentage and specify):
 - m. Additional Notes/Comments

4. Operating Costs

1. What were your company's 2008 operating costs as a percentage of 2008 revenue?
2. What were the following as a percentage of 2008 operating costs
 - a. Content production & management:
 - b. Writers and Editors:
 - c. Other Office staff:
 - d. Marketing/advertising:
 - e. Website administration:
 - f. Distribution:
 - g. Administration/Overhead (rent, power, heat etc.):
 - h. Accounting expenses:
 - i. Other (percentage and specify):
 - j. Additional Notes/Comments:
3. What is the split between your variable and fixed cost? Example of variable cost is ad sales representative commission, or ecommerce transaction fees. Example of fixed cost is administration/overhead:
 - a. Variable:
 - b. Fixed:
 - c. Additional Notes/Comments:

5. Workforce

1. How many employees does your publication have?
2. Indicate the number of employees who devote time to each of the following functions (the same employee can be counted multiple times e.g. a publication operated by one individual would likely show that individual's involvement across multiple labour categories):
 - a. executive:
 - b. creative (writers, editors, etc.):
 - c. sales & marketing:
 - d. admin:
 - e. technical:
 - f. other (number and specify):
 - g. Additional Notes/Comments:
3. Employment Status: how many of your employees are

- a. fulltime;
 - b. part time:
 - c. temporary:
 - d. freelance:
 - e. volunteer:
 - f. other (specify):
 - g. Additional Notes/Comments:
4. Labour costs: What are your labour force expenses (express each of the following as a percentage of total labour force expenses)
- a. Base salary:
 - b. Employee Benefits:
 - c. Bonus (performance bonuses):
 - d. Commission (sales commissions):
 - e. Freelance payments (per word):
 - f. Freelance payments (per article):
 - g. Freelance payment (Other, specify):
 - h. Volunteer costs (honorarium, appreciation parties, etc.):
 - i. Additional Notes/Comments:
6. Website/Content/Overhead
1. Provide the breakdown of Website Administration Costs (identify each as percentage of total web admin costs)
 - a. ISP fees:
 - b. Site development and maintenance:
 - c. E-commerce transaction fees;
 - d. Other (percentage and specify):
 - e. Additional Notes/Comments:
 2. What is the breakdown of content and editorial cost (excluding writer/editor/photographer salaries)
 - a. Writers royalties:
 - b. Photo and video rights:
 - c. Purchased content:
 - d. Please identify type of purchased content (photos, editorial, etc.):
 - e. Other costs (percentage and specify):
 - f. Additional Notes/Comments:
 3. What is the breakdown of Administration/Overhead cost (if working from a home-based office, use income tax claim amounts as basis)(identify each as percentage of total admin/overhead costs for 2008)

- a. Office or Working Space rent:
 - b. Heat Light Power:
 - c. Telephone:
 - d. Other (percentage specify):
 - e. Additional Notes/Comments:
4. What were the owner/shareholder expenses and/or dividend payouts in the past two years? (express as percentage of total expenses)
7. Forecast
1. What is your forecast for the next five years in terms of
 - a. Revenue Growth:
 - b. Where from? (readers, advertising, other?)
 - c. Profitability:
 - d. How? (reduced overhead costs, more efficient processes etc.)
 - e. Increasing staff:
 - f. Increasing readership/subscribers:
 - g. Launching new or affiliated publications:
 - h. Testing New Distribution Models:
 - i. Additional Notes/Comments:
8. Other Publications
1. Did you model your publication after any existing online publications, in terms of the following criteria (please identify the publication)
 - a. Appearance/visual delivery:
 - b. Distribution:
 - c. Revenue Model:
 - d. Additional Notes/Comments:
 2. To help us build out our list of Canadian Digital publications, can you identify any other digital publications you read or are aware of?