The Opportunity for an Electronic Market Connecting Magazine Publishers to Video and Application Vendors

October 6th 2014

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Magazines Canada

Contents

Funding for this study was provided by Ontario Media Development Corporation. Any opinions, findings, conclusions or recommendations expressed in this material are those of the author and do not necessarily reflect the views of Ontario Media Development Corporation or the Government of Ontario. The Government of Ontario and its agencies are in no way bound by the recommendations contained in this document.

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Executive Summary

This study assesses the opportunity for the broad based membership of Magazines Canada to consider the establishment of an "emarket"[1] approach to the creation of video content and the development of applications (apps) for digital access on multiple devices. In summary, the study comprised 3 stages:

- Desk research on existing emarkets for video and app creation;
- Interviews with:
  - international trade associations and a publisher;
  - Canadian publishers; and
- An online survey of Magazines Canada members.

The study shows that, with the possible exception of business to business (B2B) publishers, video content creation is still in the experimental stage. Publishers recognise the demand and attractiveness of video content but the business model is not clear to those interviewed. Some larger publishers are further down the business and technical development road and continue to make substantial ongoing investments, even though a fully realised business model has yet to be developed at least for almost all consumer publications. In this context, operating system specific apps and digital newsstands which create a tailored, immersive consumer experience including on mobile devices are also seen by some larger publishers as key to meeting consumer and advertiser expectations.

In contrast, smaller publishers are increasingly moving from traditional "static" websites to "responsive[2]" websites based on the HTML5 programming standards. The downside of not using specific apps and newsstands is that readers are not offered as immersive or tailored a content experience. Based on those interviewed, for the majority of medium sized and smaller publications the use of responsive websites may be a realistic trade-off compared to the actual or perceived resource requirements of some if not all specialised apps and newsstands. Additionally, where video is offered, it is often on an "experimental" basis with more "ad hoc" production and very limited monetisation. There is a lot of work to be done to move these activities into a sustainable part of a profitable content mix.

In addition to the above, apps are not currently a priority for the publishers interviewed and surveyed. The study established that it is premature to consider an emarket approach for both video and apps at this time. These conclusions in relation to the Canadian magazine industry are consistent with the wider international scene as stated by the global magazine trade association FIPP. During the time that the study was in progress we also noted that the existing emarkets reviewed had changed materially

[1] Defined in Businessdictionary.com as a virtual, online environment (a website, for example) that allows individuals or firms to conduct business electronically. (August 2014)

[2] Wikipedia defines Responsive web design (RWD) as "a web design approach aimed at crafting sites to provide an optimal viewing experience—easy reading and navigation with a minimum of resizing, panning, and scrolling—across a wide range of devices (from mobile phones to desktop computer monitors)". (August 2014)

suggesting that the business models for such markets are still not well defined. Having reached the conclusions above, based on some responses, there may be a developing opportunity for publishers to source specific website programming services through existing emarkets. This area was not specifically covered in this study.

Considering the conclusions in more depth, as magazines transition to becoming multi-format media brands, consumers expect that content will be available to them in video and on any device that the consumer chooses at any given moment. Publisher digital offerings have in many cases been tied to desktop or web based apps[3] and to digital PDF editions[4]. The PDF editions have been made available either directly to readers, or through online newsstands such as Zinio, Apple or Google. These offerings have met the need at one level but have often not worked well with mobile devices. The advent of the Hypertext Markup Language 5 (HTML5) standard now offers the opportunity for responsive websites based on a single web site production. As described above, the survey included in this research indicates that a number of publishers are seeking to move to HTML5-based responsive websites as resources allow. Larger publishers also have the option to attract consumers with enhanced[5] content within some of the existing newsstand offerings such as Next Issue, FlippingBook and Zinio. Smaller publishers interviewed in this study were clear that they do not have the resources needed to prepare their content consistently for these enhanced applications. Next Issue was specifically mentioned in this context.

At the same time, advertisers and brands are directing their resources to mobile and to video or other enhanced images[6]. Advertising rates are already significantly lower for “traditional” display digital advertisement as compared to print. Video related advertising and sponsored content are two areas where rates can be better (though still not generous) than for traditional digital display advertisements.

As stated above, this study shows, based on the sample of both larger and smaller publishers across all segments (other than B2B) that publishers are at an early stage of development in video. This is both in the development of video offerings which integrate with their more traditional content offerings and in monetising the video that is being offered. The production of video (other than in a few specialist cases, mainly at Business to Business (B2B) publishers, or some large publishers) is largely ad hoc through existing contacts or similar mechanisms. Furthermore, video is often not fully integrated into the overall

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[3] Desktop applications for this purpose are defined as an application that runs stand alone in a desktop or laptop computer. Web-based apps require a Web browser to run. Definition is from the PC Encyclopedia published by PC Magazine. ZIFF DAVIS LLC (August 2014).

[4] PDF (Portable Document Format) is a de facto publishing standard from Adobe Systems Incorporated

[5] Enhanced in this context is defined as presentation of content on digital platforms using the additional options only available on digital platforms such as motion, linkages to video clips, colour or font variations. Enhanced may also include additional content (including advertising) in the digital edition.

[6] As reported in Business Insider http://www.businessinsider.com/digital-video-advertising-growth-trends-(May 2014)

content planning process. The distribution of video by those interviewed and surveyed is primarily through public channels such as YouTube.

While (again with the exception of B2B), the volume of video currently being made available by the respondents does not generally justify adopting a more formal and market based approach to procurement, this is expected to become more of a priority as business models evolve. In that context, sustaining the development of video as part of the content mix will require that monetising the content will be increasingly required. Based on the comments of those interviewed, advertising rates (independent of those available on Youtube) are unlikely to fully support the development and distribution of quality video materials. If that is correct, other mechanisms such as sponsorship prior to or as part of production or the use of content from brands will be needed in many cases. Alternatively, for low volume specialist publications in areas such as the arts, costs will need to be minimised through the use of volunteers or similar mechanisms.

Introduction and Objectives

Magazines Canada believes that print will remain a critical part of the magazine mix but print volumes are likely to decline with digital revenue streams becoming increasingly important[7]. The digital world is increasingly complex with premium advertising rates being driven by interactivity and resulting consumer engagement. Video is a key component of this digital world. Video drives engagement as well as traffic for all the stakeholders in the developing multiscreen ecosystem.

Also, in the context of the multiscreen ecosystem, apps and responsive websites enable consumers to move directly to their favourite content providers and increasingly provide a vehicle for advertisers to deliver sophisticated messages while tracking (with permission) consumer likes and habits across all the digital platforms that consumers now use.

The growing popularity of video with consumers, as documented in many marketing reports, is also linked with advertising rates which are higher than for display advertisements (confirmed by some publishers interviewed for this study). This suggests that magazine publishers will need to increase the available minutes of video and refresh their video offerings more often to be consistent with the demand for premium digital ad supported offerings (and to remain relevant to their paying subscribers). Magazine publishers also need to deliver all this either within an app, at least for the major operating systems (Apple and Android) or with a responsive website which works automatically across screen sizes, resolutions and operating systems.

A further consideration is that while large publishers are sophisticated in defining or specifying their video needs, discussions with Magazines Canada suggested that others have little experience in determining what options exist for achieving their goals. At the same time discussions with trade associations and educational institutions suggest that there are many trained individuals and groups who are qualified to meet magazines' needs but lack access to opportunities to enable projects directly, or through an open market place. Bridging this gap may present opportunities to both sides once the content and business models are developed and tested.

NB: The following commentary is based on the author's multiyear, and multi country, experience working with a global accounting and consulting firm. Further insights are also available in the book *B2B Exchanges 2.0* by W William A. Woods.

In the "dot com" boom period there were many proposed "etrade" marketplaces across a number of industries and service groups. Most of these marketplaces failed. Key reasons for the failures included that the proposed electronic marketplaces were ahead of their market as well as ahead of the adoption of the technologies for the services they sought to provide. A further issue was that while sellers flocked

[7] For example as reported by the Internet Advertising Bureau http://www.iab.net/about_the_iab/recent_press_releases/press_release_archive/press_release/pr-061214 (August 2014)

to the markets, buyers were extremely cautious. Buyers had no way of testing the quality of the goods and services being offered, or even whether the sellers were competent and financially sound businesses. With the transition to digital formats for day-to-day use and the establishment of sound businesses with a track record of success, the markets are becoming more defined and the commercial needs more focused. This is consistent with the increasing adoption of video and apps by consumers and advertisers on all screens, including mobile which is a key priority area for most advertisers. The final piece of the puzzle is the increasing use of "cloud" technologies in everyday use by businesses and consumers of all sizes. Cloud technologies make market technologies easier to use for participants and more cost effective to operate.

On the other side of the equation, reputable film and technology schools are continuously putting out trained graduates. At the same time, more established companies who have traditionally supplied the film and broadcast industries are looking for new markets. These individuals and companies are often not familiar with the magazine industry and have not typically seen it as an opportunity area for their skills. In short, there is no existing research on which to possibly base services enabling small and medium sized publishers to widen their reach and cost effectively maximise their digital offerings, while their print offerings appear to be in long term decline.

Research Objectives

The initial premise of this study was that publishers, both large and small, had developed at least initial business models for the production, inclusion and monetisation of video content allied with app or responsive website distribution mechanisms. This premise was built on informal discussions with some publishers who stated that they planned to rapidly expand their video content and were looking for ways to produce and manage their video more effectively.

In this context, Magazines Canada is developing a full range of services for its members and operating those services as part of the revenue generating activities of the association. The provision of a service which enables small and medium sized publishers to access the innovative digital formats they need in a "trusted" and competitive environment and cost effectively may be a part of ensuring the long-term future of the magazine industry in Ontario and Canada. At the same time, the service would need to have a commercial model which allowed it to be sustainable and contribute to Magazines Canada.

As a result, the objectives of the present research included:

- To understand the video and app needs of a representative sample of magazine publishers drawn from Magazines Canada's membership;

- To estimate the likely annual spend of the publishers interviewed and surveyed as a basis for estimating the annual market for these services;
- To use secondary research to identify and build a high level understanding of existing (or defunct) "emarkets" for video and app production, including in non-Canadian jurisdictions;
- To understand the attractiveness of a magazine "emarket" to a range of potential service providers such as video producers and app developers; and
- To understand the interest from other Ontario based cultural media industry associations in this initiative and their propensity for leveraging the outcomes in the future.

Methodology

The study methodology consisted of:

- Web research on existing emarkets related to video production and app development and desk research on any similar offerings in other markets such as the US and the UK;
- Phone interviews with select international magazine organizations;
- Face to face and telephone interviews with selected magazine publishers; and
- A survey of Magazines Canada publishers.

Summary of Findings - Existing Video and App Market

It is worth noting how in summary the existing markets work. More information on individual emarkets is included at Appendix 1.

The process flow for emarkets is broadly similar for all the sites researched, both video and apps. The basic steps are:

- The Commissioning party provides a description of their project (levels of detail required vary but are generally pretty simple so as to maximise the number of potential project starts). The Commissioning Party also provides an initial project budget.
- The market site posts the potential project for review by its base of video/app producers. The project description and in particular the budget will determine who is interested and willing to

quote.

- The Commissioning party receives the quotes and negotiates with/selects a production company. Terms are finalised and production starts. There is typically at least one interim check stage with part payment being due. In almost all cases funds flow through the market sites. The exceptions are where revenue will be generated by other services such as hosting or where the matching service is on a flat fee basis. Most markets offer services such as sample production and Intellectual property contracts. The markets also offer dispute resolution support services at some level.

- Once production is completed and the result accepted, final payments are made less the agreed fees and commissions to the market site. Typical commission rates are 15% of the final cost.

It should be noted that during the approximately 3-month period following the original desk research on video and app emarkets there have been considerable developments with a number of markets disappearing or morphing into production companies. Additionally, the typical commission rates at the remaining emarkets have decreased from 20% to 15%. This suggests that emarket business models are not settled. It is notable that some sites have changed from a market model to a production company model, possibly to improve profitability. In the original desk research it was most common that the production company paid the commission (and any standing fees to be allowed to see the available projects) however there were exceptions where the Commissioner paid. The business terms have now become less defined in many cases. The emarkets are in a number of cases, less definitive as to who pays their commission. It can be either the Commissioner or the production company. The parties have to agree between themselves. Either way, the emarket fees will need to be factored into the budget as one side or the other (or both) must pay.

Interviews

International Interviews

Interviews were conducted with available representatives of other English-speaking publishers identified by Magazines Canada:

- The US magazine trade association, small publications group;

- A European publisher; and

- FIPP, the worldwide magazine media association.

None of those interviewed knew of an emarket based approach in any other national magazine market. FIPP stressed the lack of working business models and that a number of publishers, especially larger ones had “wasted” a lot of money on digital initiatives that had not worked. The US Trade Association focused on the technologies that its members are currently experimenting with. The US publishers referred to were said to be aiming to use technology solutions as the basis for building publisher-specific business models. The US approach was said to be individualistic rather than collaborative across publishers. The European interviewee noted that culturally print was perhaps more important than in North America based on the concept of the “café” culture. Having made those points FIPP indicated that the idea is very interesting and that FIPP would like to be kept posted on the outcome. FIPP believes magazines are in the early stages in transitioning and building digital initiatives such that they are very hesitant and conservative today. The FIPP representative was very focused on the likelihood that publishers would not be willing to pay market “fees”. When the predominant business model was explained, namely that the video production companies would pay a percentage of their fee for in effect “lead generation”, the FIPP representative became more open to the concept. FIPP also noted that Magazines Canada has a history of being effective in delivering collaborative and market leading initiatives and this could be another one. FIPP suspected that the initiative may be too soon.

Canadian Publisher Interviews

Eight magazine publishers (or publisher representatives) were interviewed, two by telephone and six in a group (two of the group on the telephone). The publishers represented a mix of formats (Consumer, Cultural and Business to Business) and employee numbers from very large to very small.

The interviews highlighted significant differences between the publisher groups. For large consumer and Business-to-Business publishers the opportunity exists for in house video production and for enhanced apps to offer enriched content for consumers. There is no uniformity, with some larger publishers following a “make in house” approach and others contracting as needed. Unsurprisingly smaller publications have to be more opportunistic in their approach.

Large consumer publications

For some larger consumer publications editorially video is very attractive as part of the content mix but it is hard to make it pay with the existing models. Other large publishers have found that an “experimental” approach to video has produced little sustainable benefit either with consumers or financially. The most financially viable videos are the sponsored ones as part of an overall approach to enabling brands to reach consumers across all channels. Simply adding video in conjunction with an article really does not work. Even in the context of sponsored productions it can be a “nuanced” conversation as ad revenue does not really increase with the inclusion of video but there can be sales of “pre rolls” and product placements in custom videos. As may be expected some categories are better than others as they can have a “long tail”. Specifically Food, Fashion and Kids are proven in that regard. It is important to match production values to individual opportunities and circumstances. In that regard while the in-house team will be capable of meeting regular needs there may need to be additional specialists brought in such as:

- Storyboarders,
- Voice over professionals,
- Set designers,
- Fashion specialists,
- Hair and makeup,
- Event planners,
- Sound mixers, animators, etc.

It can be viable for large consumer publishers to support iOS, Android and a range of different electronic newsstands for enhanced content experiences. These are in addition to the individual title websites where the content can also be viewed on responsive websites. Larger consumer publications can also manage and distribute their own content which helps with rights management as there is no need to use third parties such as YouTube with its associated sublicence issues. YouTube for example has the mass audiences but can also severely limit direct monetisation opportunities based on YouTube's standard terms of service (specifically clause 6.C as of Sept 2014) unless alternative contractual arrangements have been made different from YouTube's standard Terms of Service. An example of such alternative contractual arrangements is Youtube's Working Together programme (as of September 2014). Individual publications may have difficulty negotiating terms other than the standard ones as they will lack the volume of activity required by YouTube. For example, the business challenge of monetising with Youtube even with a regular audience resulting a consistent million hits weekly is well described in a New York Times article published Feb 1st 2014[8]. While Youtube does not publish advertising rates articles such as those published in Tubefilter[9] show that the net effective rate is not likely to make video production cost effective as a sole source of income. Anecdotally rates have further declined since this article was published. A further advantage of a direct publisher controlled distribution approach is that content is seen as a whole (both video and static) and in context with the professional standard layout and design which greatly improves the user experience and loyalty. This contrasts to placing video on YouTube where it is seen as video only and without the associated materials. Finding content is generally through web searches and this aligns with using Google analytics extensively. Having made this point, for some titles the audience has failed to grow after an initial interest in the enhanced content experience. Where the audience is not sufficient to support the additional costs of preparing the enhanced content, a responsive web site can be seen as an attractive and lower cost alternative.

[8] http://www.nytimes.com/2014/02/02/business/chasing-their-star-on-youtube.html?_r=1 (Sept 2014)
[9] http://www.tubefilter.com/2014/02/03/youtube-average-cpm-advertising-rate/ (Sept 2014)

Business to Business publications

Video is crucial for Business to Business (B2B) publications. Given the tightly defined audience for the publications as well as the tightly defined advertiser market, video can be tightly focused and in many cases can be more easily produced working with advertisers with very specific messages to promote. A further advantage for B2B publishers is that they often have large numbers of titles which can all absorb video, allowing for consistent use of skills and facilities. For publishers with demonstrated skills in niche markets the opportunity exists to sell video services to advertisers who may not be large businesses themselves. While layout and design are important, the competitive environment is not the same as for consumers, making YouTube a viable distribution option to specialist interest groups, especially if advertising for the products or services is embedded into the video content. YouTube videos can be a “traffic driver” for B2B “request” subscriptions which are different from paid consumer subscriptions in that the potential reader has to identify their interest in the specialist sector to be “rewarded” with the free publication and web access. In this context, there is no advantage for B2B publications to appear in magazine digital newsstands or to have dedicated apps unless the app has specific functionality, for example, linking buyers and sellers. The best approach is a functional web site making content available. Making the websites responsive is a desirable goal, given the growth of mobile consumption.

Smaller Publishers – Consumer and Cultural

For obvious reasons, the resources for video at small publishers are much less than at the larger publishers. There was enthusiasm for video and a number of creative approaches to making video available to readers. These varied from the use of specific public domain content which is available from subject related sources, through the dedication of an intern to video and in other cases the use of volunteers and students to generate content at events of interest to the specific audience or in the context of their course. In all cases the key consideration was to build audience and to improve the audience experience even if the attractiveness of video is an unknown quantity for those who do not offer it today. Many of the participating smaller publications were grant funded with video not being part of the grant. Publications felt the need to be very carefully managing any video-related activities to ensure that grants were not directly or indirectly impacted. Where monetization is possible, sponsored content was seen as attractive, provided that any potential conflicts of interest could be managed and that “what the sponsor wants to be seen” was aligned with “what the audience wants to see”. For smaller publishers who are not grant supported, it has become clear that the video needs to be paid for by advertisers/sponsors in advance, possibly by in-house creation, similar to the B2B approach. For one smaller consumer-oriented publisher, an initial foray into video as an experiment has confirmed the need for video content to be directly linked to planned content and carefully integrated with the primary content and funded accordingly. This approach largely mirrors the approach adopted by the larger consumer publishers who are proceeding cautiously with video initiatives.

From an app perspective the focus is clearly on flipbooks with responsive websites as a priority. There is no appetite for significant enhanced content offerings. The possible results do not justify the resources required with funding so tight. Having made that point, the Apple and Google newsstands are seen as important in some cases. The key to the newsstands is discoverability within the newsstand, which is controlled by Apple and Google. Working closely with Apple and Google can pay significant benefits in terms of highlighting titles and subjects drawing consumers to the titles featured. This takes continuous focus.

In addition to the points above, there was some interest within the cultural sector for seeing if a collaborative app could be developed which would cover a wide range of cultural areas with each specialist publication contributing its expertise. If such an enterprise could be funded, it may attract more attention to the cultural sector overall and enable consumers to find the areas that interest them or enable them to explore new areas more easily in a "trusted" environment.

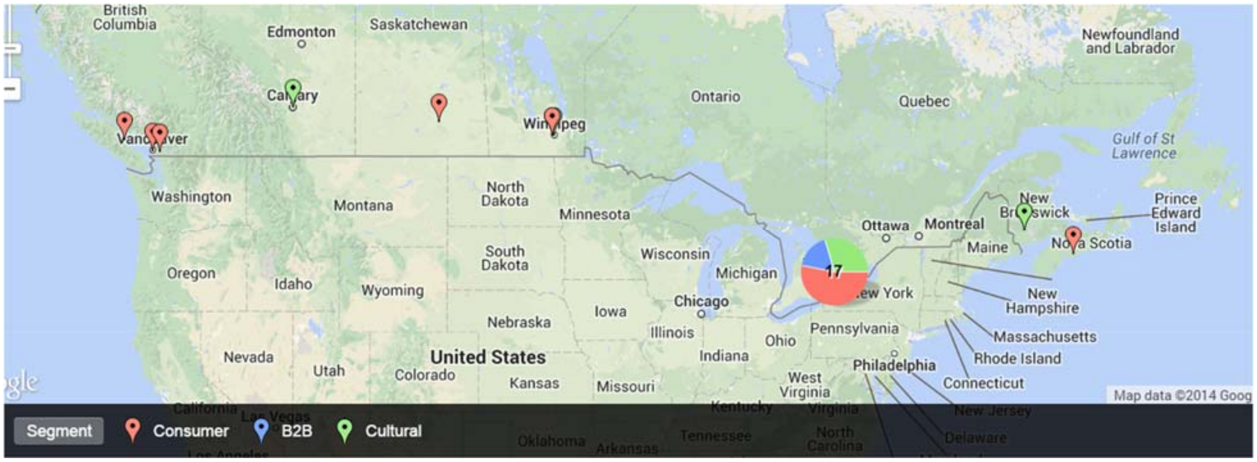
Publisher Online Survey

Based on the work completed, we developed the online survey questions shown in Appendix 2. The questions were refined based on responses to a pilot of the survey completed by a representative sample group of Publishers identified by Magazines Canada. Once the survey was finalised it was sent to the full membership of Magazines Canada with a three-week response period. During that period we responded to any questions raised by the respondents. It should be noted that there were few questions raised. Those that did come forward were detailed in nature and did not require wider communication to the membership of Magazines Canada. At approximately the half-way point of the three–week response period, Magazines Canada sent out a reminder to their membership seeking to encourage responses.

Summary Comments:

- The survey questionnaire was distributed to 122 potential respondents in June 2014. Twenty-nine (29) publishers provided responses that were deemed to be "useable" by the project team (i.e., provided sufficient information to be included in subsequent analysis). As such, the survey could be said to have achieved a 24% response rate.

These 29 responses were from a diverse range of publishers. Three of the responses were from publishers with 50 or more employees, the rest being smaller publishers in all the segments.
The geographic distribution of respondents is presented on the following map:



Video

- Of the 29 respondents, only 4 do not use video content today and have no plans for video content in the future. Approximately half of the respondents (not including the 4 who do not use video currently) offer video content today and of those, all but one intend to continue to offer video at the current level or increase their video offering. One respondent plans to reduce their video offering but not eliminate it.

- For those who do offer video today, approximately 7% of available staff resources are applied to video related activities.

- The primary motivations for offering video are audience development and improving the user experience. A smaller group is also monetising video. The most developed of the publisher groups for monetising video is the business to business sector.

- YouTube is the most popular video distribution vehicle for publishers in addition to publisher web sites. This is congruent with respondents stating that online searches and social media are the most common vehicles for the discovery of their video content.

- Approximately half of those currently offering video produce their own content and the other half contract out production.

- A quarter of the respondents with current video offerings differentiate between subscribers and non-subscribers with their offerings to readers.

- One third of those currently offering video monetise their video in some form. This is expected to increase to one half, based on respondents' stated plans.

- The limited responses to how video is currently acquired by publishers suggest that most approaches are “ad hoc”. This is aligned with the limited resources applied to video and the commission of relatively low volumes. As one publisher noted during the interviews, as volume and popularity with audiences increases, the publisher interviewed believes that most publishers will need to “professionalise” how they define projects, specify and commission work, manage rights and build video-related revenues from both commissioned and appropriate sponsored content.

The above findings from publisher interviews suggest that video is in the early stages of development within the magazine industry in Canada. Video is seen by those interviewed as important to the digital future of publications. It is “expected” by the audience and is reported to offer higher advertising rates than current digital display advertising offerings. Having made that point, video is not being allocated significant resources at many publications as may be seen in the detailed survey findings (see Appendix 2). This in part is likely linked to the lack of monetisation of video content in an industry with limited profitability and constraints on resources to both develop profitable offerings and experiment. The exception to this general point is the B2B sector where the direct linkages between the specialist audiences, tailored video content and buyer behaviour is clearer. In addition, brands in a number of segments are increasingly producing video which they are seeking to bring to as wide an audience as possible in the right contexts. This content can potentially form one element in the use of “sponsored” content by publications in the appropriate segments. Overall those publishers who see significant benefits from video will need to seek ways to both monetise their offerings and manage video acquisition and distribution costs. This process will likely need to start at the overall content definition stage.

Apps

- Only 22% of the respondents use specialised apps and 15% are print only with no digital content. The balance embed digital content in their website and/or use PDF type “flipbooks”.

- There is a move to responsive HTML5 based websites which will facilitate making content available across platforms, screen sizes and screen resolutions.

- The current priority for publishers in relation to digital content is the ability to connect to users at 68%. Only 5% of publishers related digital content to the ability to sell advertising/generate revenue.

- All the respondents stated that they tracked digital data consumption but there was no clarity as to what publishers actually “do” with the data gained.

The survey results show that more publishers are active with digital content on their web sites. The trend to move to “responsive” HTML5 based sites is encouraging in terms of ensuring cross platform availability of content. Specialised apps represent a significant investment which only has value for specialised situations, and even then it may be seen to be primarily limited to larger publishers with in depth resources. As with video, the focus is on improving reader contact and much less on monetisation of content.

Overall the study shows that, with the possible exception of business to business (B2B) publishers, video and app content creation is still in the experimental stage. The study also shows that outside the largest publishers there is little interest in enhanced content newsstands and apps. The focus is on PDF "style" distribution and increasingly responsive websites.

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Conclusions

Clearly magazine publishers are recognising the importance of video and digital content for the future of their media brands. Consumers value print but also wish to consume content on the device of their choice when and where they choose. The first steps are plainly being made as publishers experiment and learn. Having said that, publishers were clear that for magazine brands to be sustainable, all activities need to be contributing to revenue and profitability. The digital world is notoriously difficult to monetise with poor rates and fickle audiences. Digital audience measures are not well understood and not always trusted by all advertisers to the same extent as the more traditional measures. Many publishers have undertaken video projects, many of which appear to be experimental or opportunistic. The path to commercially viable video content creation is starting to become clearer to some individual publishers. Possible worksteps based on these publishers approaches are described at Appendix 3. Similarly, the path to making content available online for many medium and smaller publishers on multiple platforms through responsive websites and PDF websites is becoming clearer (larger publishers have the option of platforms such as Next Issue or similar). Given that the journey is just beginning, the volume of content to be created does not justify the creation of an emarket for video or apps at this time. Having reached the conclusions above, based on some responses, there may be a developing opportunity for publishers to source specific website programming services through existing emarkets. This area was not specifically covered in this study.

Overall we suggest that the conclusions in this report should be reviewed in one to two years For example, a number of the emarkets looked at in this study adapted and changed their business models during the eight-month study period.

As stated above, based on the telephone interviews and the desk research on “similar” sites to date, it is clear that video and app creation “markets” are in very early stage development and that the motives behind those starting them seem to include:

- Seeking more work for existing in house production capabilities,
- Finding customers for their video hosting and streaming businesses, and
- Creating an emarket as a business

The same will likely be true for a number of publishers over the intervening period. In the intervening period in order to make the video opportunity a reality, the first step would be for medium and smaller publications to move from the “experimentation” phase to a “commercialisation” phase. Achieving this goal is likely to require education and related support through Magazines Canada. Creating a new paradigm for an “all screen” environment enabling emarkets to potentially become viable, significant volume increases in video content will be needed. Such a volume increase will need to be based on a sustainable business model for it to continue sustainably.

Publishers seeking responsive website development services and who have very clearly defined requirements may wish to test app development emarkets for their web development needs as an alternative to more traditional procurement methods.

Given the above findings it should be noted that the study was not completed as originally envisaged, namely, there was no discussion with providers of video or app production services. Given the lack of readiness for video and apps within the magazine community there was no viable opportunity to discuss with the video or app production communities at this time. If the video market in particular evolves in the future and there is a follow up to this study, there may be an opportunity to complete this step at a later stage. There was also no discussion with other Ontario based cultural industry trade associations on their propensity to work with Magazines Canada on this initiative, given the lack of readiness within the magazine industry.

Appendices

Appendix 1 - Notes on selected existing emarket sites

Appendix 2 - Survey results in detail

Appendix 3 – Possible “steps” to a more commercial model

Appendix 1 - Notes on selected emarket sites:

Note: As described in the body of the report, during the approximately 3-month period following the original desk research on video and app emarkets there have been considerable developments with a number of markets disappearing or morphing into production companies.

- http://www.en.yeeply.com/

App development site based in Spain. Free to project commissioner. Programmer (from any geography) pays Yeeply for the introductions to potential projects on a sliding scale based on volume and scale. Funds flow through Yeeply. Yeeply offers a developer rating system based on Commissioner reviews and a dispute resolution mechanism.

- http://50grove.wistia.com/

A subset of a video hosting company (Wistia) based in the US. The goal is to introduce Commissioners to video production companies that Wistia has pre-qualified as competent. There are no fees stated so the business model appears to be that content created through introductions made on 50 Grove will be hosted in Wistia and paid for at that point.

- http://www.myfilmmaker.com/find_videographer

A video production matching service based in Montreal. The Commissioner specifies their project and obtains online bids from "qualified" production companies. Payment is made through myfilmmaker.com. There is a minimum fee of $250 for seeking bids and a 20% commissioner fee taken at the time of payment to the video production company.

- http://hatchvid.com/blog

Describes itself as a video production platform which also has an emarket where Commissioners can post projects and the site selects 3 bidders for the work. Location is not given but appears to be in the US based on the Terms of Service. The actual paid service is for managing the resulting project using the emarket production platform on a fee/month basis. The person managing the project pays and the collaborating team are then added. This suggests that either the Commissioner or the production company can pay. They have to decide between them.

- http://www.videobrewery.com/

A US-based video production marketplace. Video Brewery follows the typical steps described above. Commissioners posting projects must pay a $10.00 posting deposit. The site finds production company bidders. Payment is made by the Commissioner and the emarket commission is not transparent, nor is the bidder selection criteria, though Commissioners are told to expect 15 to 20 bids.

- https://apptank.com/application-development

A lead generation site for app developers who pay to access the potential projects posted by Commissioners. Apptank takes no further role and does not appear to prequalify developers/bidders. Apptank appears to be located in the US based on the Terms of Service

- https://pickcrew.com/

A Montreal based app and Web development marketplace charging a 15% fee. All payments are through the platform. The steps followed are broadly as described above.

- http://www.zoomtilt.com/

Zoomtilt is primarily a writer's marketplace with a video production capability using its writers. Terms of business are not disclosed. Location is also not disclosed though there is a North American telephone number.

- http://www.betakit.com/torontos-notch-video-launches-video-production-marketplace/

As an example of how models have changed in the life of the study, Notch Video has become a production company rather than an emarket. Notch is based in Toronto.

- http://www.veed.me/#

A video production marketplace which follows the steps described above. Terms of business are not specified. The Terms of Service make reference to Israeli law and US law being applicable.

- http://www.vidaao.com/

Vidaao has changed ownership since the original research and is now a US based video production company rather than a marketplace.

- http://wooshii.com/

A UK based video marketplace which follows broadly the steps described above. The fee for Wooshii is 15% payable to Wooshii though the actual production contract is between the Producer and the production company.

Appendix 2 - Survey results in detail

Video and App survey results in detail

Notes:

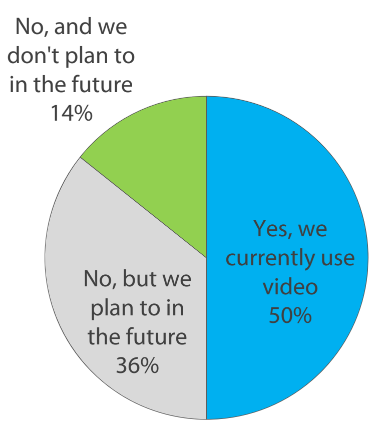
1. Not all questions answers are shown here. For example Company and respondent names have been removed for reasons of confidentiality. Additionally, for some questions the number of respondents was smaller than could be used as a sample.

2. Where appropriate (or possible based on respondent numbers) responses are shown subdivided into three categories, namely Consumer Publications, Cultural Publications and Business to Business (B2B) publications.

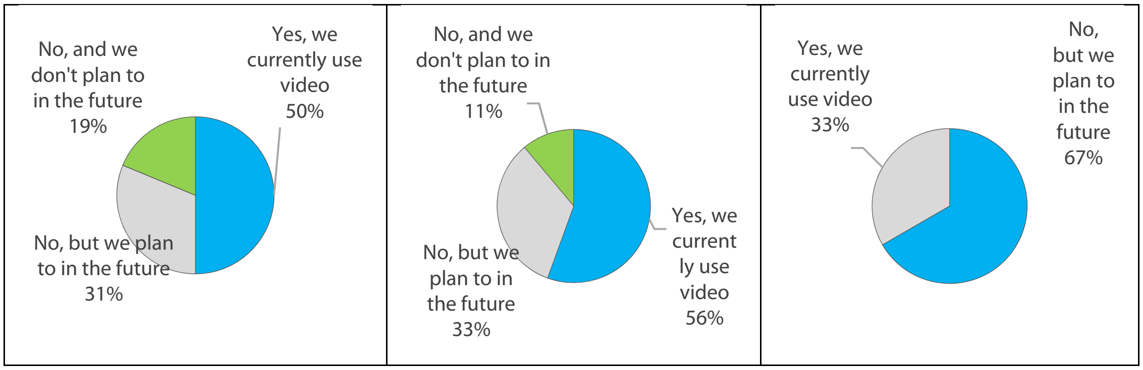
3. For questions that permit only a single response, the n-value is equal to the number of responses to that question. For questions that allow multiple responses (ranking questions, secondary activity questions, checklist questions, etc.), the n-value is calculated by taking the sum of all respondents who answered at least one of the possible multiple responses. i.e., only responses that have no answer to that question are not counted. This ensures that such multiple response questions don't have multiple n-values within a single question.

Video Questions and Responses

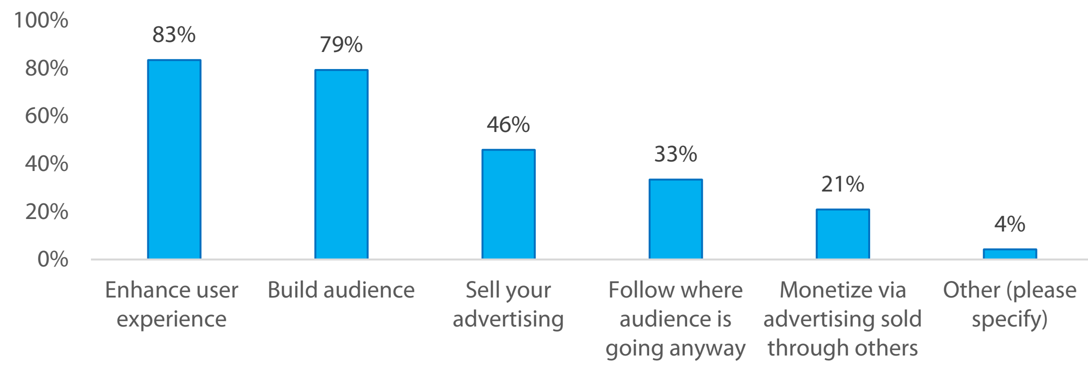
Question A2b. Do you use video, or plan to? (% of all respondents)



Consumer-Cultural-B2B: (% of respondents, by focus of magazine genre)



Question B2. What is the current/future role of video for your publication? (% of respondents that currently use or plan to use video)



Responses by Segments:

Consumer Publications (of respondents that currently use or plan to use video) (n=13):

Enhance user experience	11
Build audience	12
Sell your advertising	8
Follow where audience is going anyway	6
Monetize via advertising sold through others	2

Cultural Publications (of respondents that currently use or plan to use video) (n=8):

Enhance user experience	7
Build audience	5
Sell your advertising	2
Follow where audience is going anyway	1

Monetize via advertising sold through others	2

B2B Publications (of respondents that currently use or plan to use video) n=3:

Enhance user experience	2
Build audience	2
Sell your advertising	1
Follow where audience is going anyway	1
Monetize via advertising sold through others	1
Other (please specify)	1
(offer services to advertisers)	

Question B3. In any given month, what portion of your company's total staff time is spent on activities related to video content, including creative and distribution activities? (of those respondents that currently use video and responded to this question)

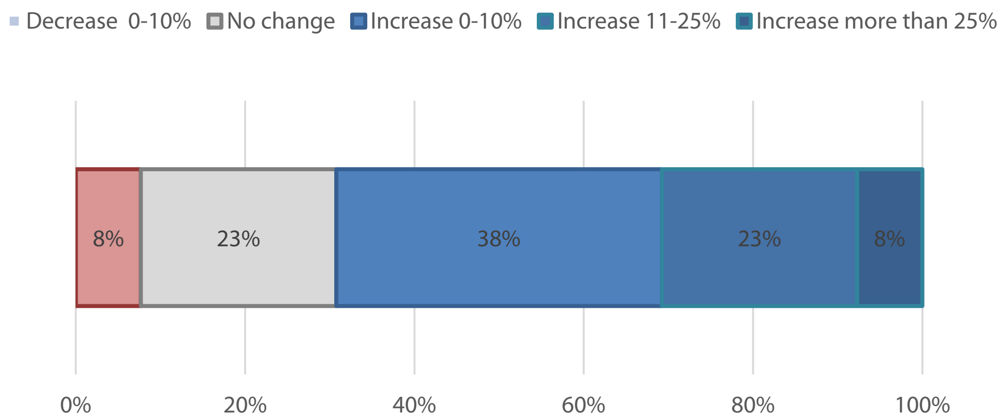
- 6.8%

Question C1. Over the last 12 months, how many: | Videos/minutes of video has your publication(s) produced, commissioned or bought? (of those respondents that currently use video)

- All respondents: 564 videos, 3533 minutes
- Consumer: 169v, 1092m
- Cultural: 35v, 941m
- B2B: 350v, 1500m

Type of Respondent	**Videos**		**Minutes**	
	Total	*Per Publication*	*Total*	*Per publication*
All (n=13)	564	43.4	3533	272
Consumer (n=8)	169	21.1	1092	137
Cultural (n=4)	35	8.8	941	118
B2B (n=1)	350	350	1500	1500

Question C2. In the next 12 months, how do you expect the number of minutes of video your publication buys/creates to change? (of those respondents that currently use video)



Consumer:

Decrease 0-10%	1
No change	2
Increase 0-10%	4
Increase more than 25%	1

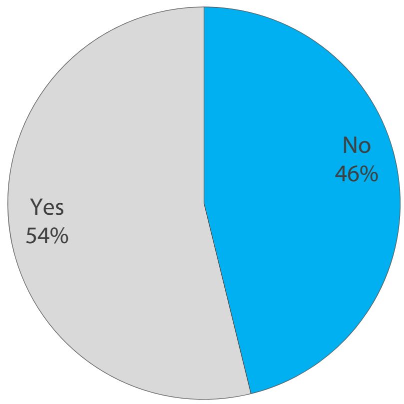
Cultural:

No change	1
Increase 0-10%	1
Increase 11-25%	2

B2B:

Increase 11-25%	1

Question C3. Do you produce all your video content yourself? (of those respondents that currently use video)



Consumer:

No	4
Yes	4

Cultural:

No	2
Yes	2

B2B:

Yes	1

Question C4. How much of your video content do you produce? (of those respondents that currently produce their own video)

- Insufficient responses to report.

Question C5. Over the last 12 months, how much has your publication(s) spent on video production? (of those respondents that currently use video)

- All respondents: Total: $137,550 average: $13,755
- Consumer: Total: $33,500, average: $5,583

- Cultural: Total: $4.050, average : $1,350
- B2B: Total: $100,000, average $100,000 (One respondent with multiple titles)

Question C6. For the videos on your site currently produced by others, do you: | Buy them? (of those respondents that currently commission video)

- All respondents: NO. (6 responses)

Question C6. For the videos on your site currently produced by others, do you: | Share (with permission) or otherwise obtain for free? (only 6 responses) (of those respondents that currently commission video)

- No: 4
- Yes: 2 (33% obtain videos in this way)

Question C6. For the videos on your site currently produced by others, do you: | Accept sponsor-created content? (only 6 responses) (of those respondents that currently commission video)

- All respondents:
- No: 5
- Yes: 1

Question C6. For the videos on your site currently produced by others, do you: | Acquire by other means? (only 6 responses) (of those respondents that currently commission video)

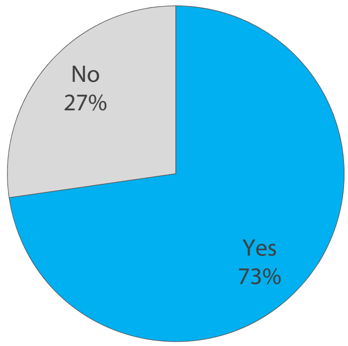
- All respondents:
- No: 5
- Yes: 1

Question C7. Who typically owns the rights to the final video product? (of those respondents that currently use video)

- Insufficient responses to report.

Question C8. Do you actively manage the rights associated with any video you may have created or own? (of those respondents that currently use video)

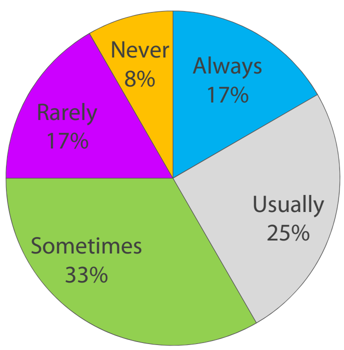
All respondents:



The only negative responses are in the consumer segment – all B2B and cultural respondents indicated yes.

Question C9. Do you make use of video content more than once within the rights period (if you have one)? (of those respondents that currently use video)

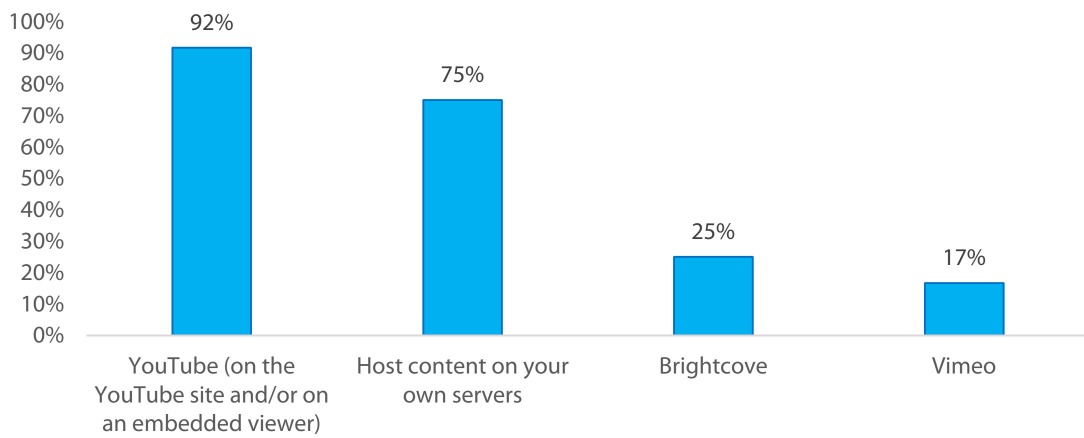
All Respondents:



NB: Splits by segment are not included as there were insufficient responses to maintain confidentiality.

Question D1. How do you distribute? (of those respondents that currently use video)

All respondents:



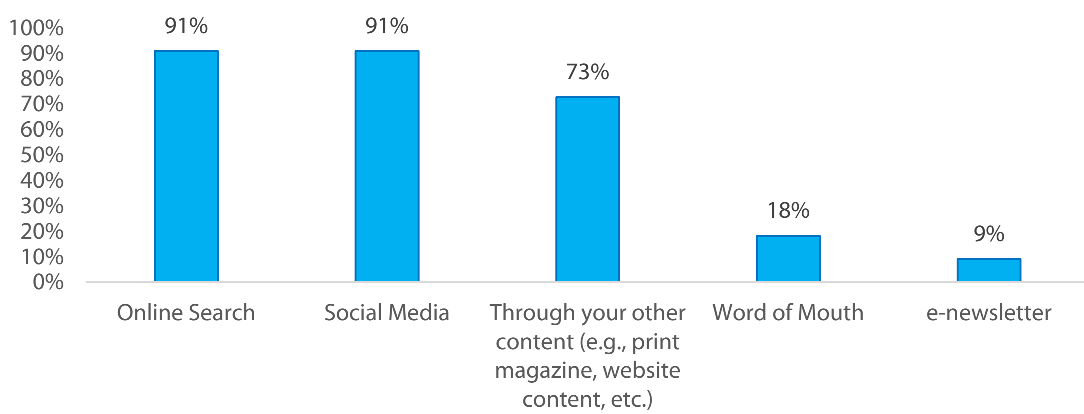
NB: Splits by segment are not included as there were insufficient responses to maintain confidentiality.

Question D2. In the last 12 months, how much did you spend on video distribution?

- Insufficient responses to report.

Question D3. How does your audience find your videos? (of those respondents that currently use video)

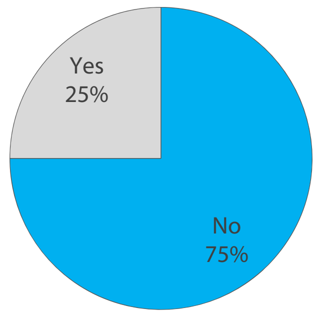
All respondents: (n=11)



NB: Splits by segment are not included as there were insufficient responses to maintain confidentiality

Question D4. Does the availability of your videos vary between subscribers and non-subscribers to your publication(s)?

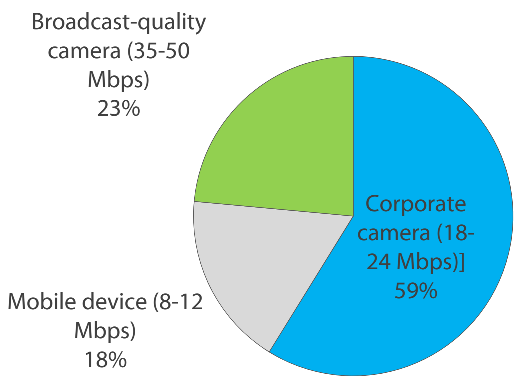
All respondents: (n=12) (of those respondents that currently use video)



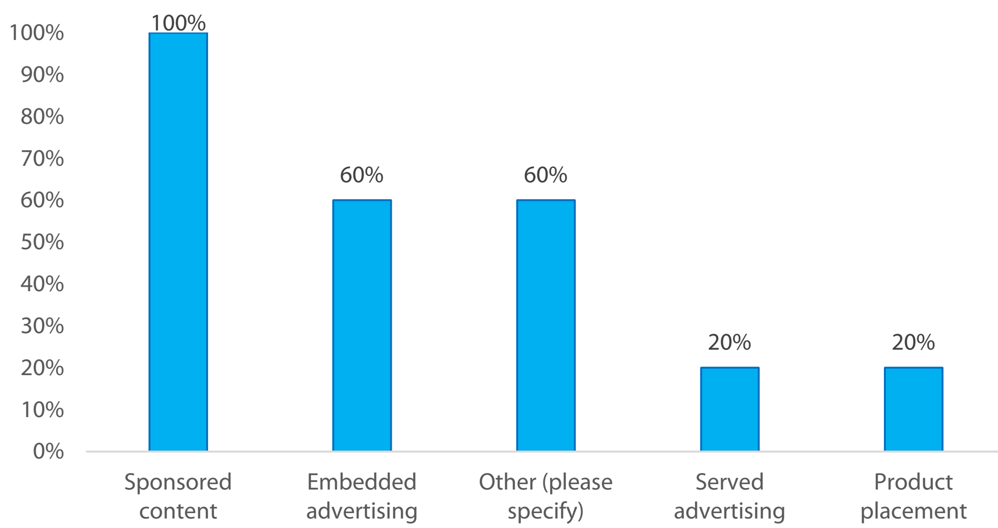
NB: Splits by segment are not included as there were insufficient responses to maintain confidentiality.

Question D5. Video quality offered.

All respondents: (% of those respondents that currently use video)



Question E1. Do you monetize? E2. If so, how? (of those respondents that currently use and monetize video)

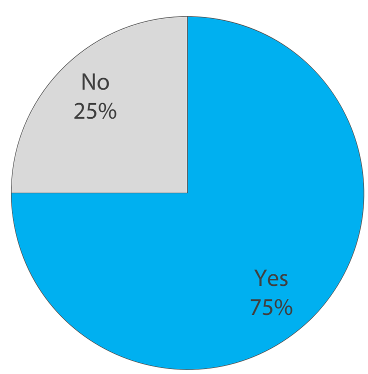


NB splits by segment are not included as the same is too small to maintain confidentiality

Question E3. % revenue attributable to video?

- Only 3 respondents were able to identify the % of their revenue attributable to video.

Question E4. Do you track the consumption of your videos? (n=12) (of those respondents that currently use video)



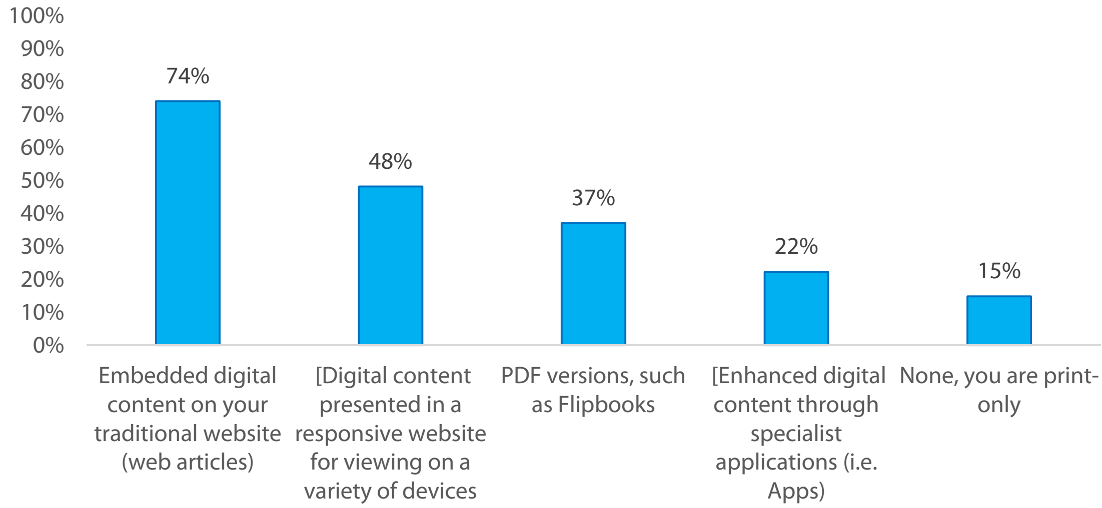
Questions F1, F2, F3, F4, F5, F6, F7: Video contract suppliers, contract terms

- Insufficient responses to maintain confidentiality

App Questions and Responses

Question G1. How is your digital content offered? (of those respondents that currently use digital content)

- All respondents: (n=27)



Consumer: (n=15)

- Embedded digital content on your traditional website (web articles) 80%
- Digital content presented in a responsive website for viewing on a variety of devices 67%
- PDF versions, such as Flipbooks 33%
- Enhanced digital content through specialist applications (i.e. Apps) 33%
- None, you are print-only 7%

Cultural: (n=9)

- Embedded digital content on your traditional website (web articles) 67%
- Digital content presented in a responsive website for viewing on a variety of devices 22%
- PDF versions, such as Flipbooks 33%
- Enhanced digital content through specialist applications (i.e. Apps) 11%

- None, you are print-only 22%

B2B: insufficient data to report.

Question G2. Digital content expenditures (last 12 months) (of those respondents that currently use digital content)

- All respondents:

$1,415,087	total
$70,754	average

- Consumer:

$547,587	total
$45,632.25	average

- Cultural:

$11,500	total
$1,916.67	average

- B2B:

$856,000	total
$428,000.00	average

Question G3. %revenue attributable to digital

- Insufficient responses.

Question H1. Primary purpose of digital content (of those respondents that currently use digital content)

	Embedded content	Responsive website	PDF versions	Apps
Better meet your mandate	5	1	1	2
Attract new subscribers	5	5	5	2
Follow your audience	5	7	1	0
Offer wider choice to advertisers/ content sponsors	2	0	2	0
Enable ecommerce	1	0	0	1
Provide/replace revenue	1	0	0	1

- Consumer:

	Embedded content	Responsive website	PDF versions	Apps
Better meet your mandate	2	1	0	2
Attract new subscribers	3	3	3	1
Follow your audience	5	6	1	0
Offer wider choice to advertisers/ content sponsors	2	0	1	0
Enable ecommerce	0	0	0	1
Provide/replace revenue	0	0	0	1

- Cultural:

	Embedded content	Responsive website	PDF versions	Apps
Better meet your mandate	3	0	1	0
Attract new subscribers	1	2	1	1
Follow your audience	0	0	0	0
Offer wider choice to advertisers/ content sponsors	0	0	0	0
Enable ecommerce	1	0	0	0
Provide/replace revenue	0	0	0	0

B2B: Insufficient data

Question H2. Importance of digital content (of those respondents that currently use digital content, note respondents were only asked to rate the importance of platforms they actually use)

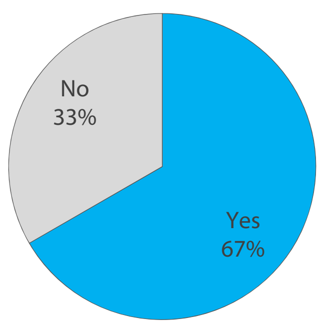
All respondents:

	1 (most important)	2	3	4 (least important)
Embedded content	7	8	1	0
Responsive Website	6	5	2	0
PDF versions	0	2	5	1
Apps	1	3	2	0

- NB splits by segment are not included as the same is too small to maintain confidentiality

Question H3. Plans for HTML5? (of those respondents that currently use digital content)

All respondents: (n=9)



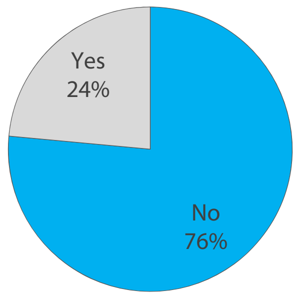
- NB splits by segment are not included as the same is too small to maintain confidentiality

Question H4. Plans for your app? (of those respondents that currently have at least one app)

- All respondents: 6 Yes
- NB splits by segment are not included as the same is too small to maintain confidentiality

Question I1. Content Identical across platforms? (of those respondents that currently use more than one digital platform)

All respondents: (n=17)



Consumer:

No	10
Yes	2

Cultural:

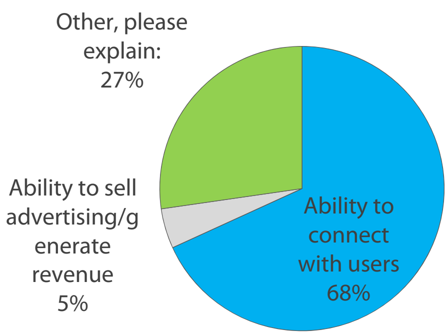
No	1
Yes	2

B2B:

No	2

Question I2. What determines what content is placed in which digital content offering? (of those respondents that currently use digital content)

All respondents:



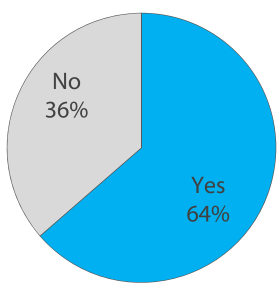
- NB splits by segment are not included as the same is too small to maintain confidentiality

Question I3. How often is content refreshed? (of those respondents that currently use digital content, note respondents were only asked to indicate the frequency of content on platforms they actually use)

	Daily	Weekly	Monthly	Quarterly	Yearly
Embedded content	6	8	3	2	0
Responsive Website	6	2	3	2	0
PDF Versions	0	1	4	3	1
Apps	0	0	4	2	0

Question I4.Do you have a CMS? (of those respondents that currently use digital content)

All respondents: (n=22)



Consumer:

Yes	10
No	4

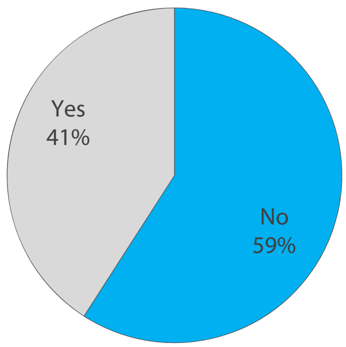
Cultural:

Yes	3
No	3

B2B:

No	1
Yes	1

Question I5. Do you make content available to 3rd parties for reuse?



Question I6. Cost to 3rd parties: (of those respondents that currently use digital content)

All respondents:

	Cost to consumer	Cost to 3rd parties
None	14	12
Subscription	7	2
Pay per use	0	4

Question I7. Do you track digital consumption? (of those respondents that currently use digital content)

- All respondents: 21 yes, 1 no.

Question J1 How do you procure your digital content? (of those respondents that currently use digital content, note respondents were only asked to indicate the frequency of content on platforms they actually use)

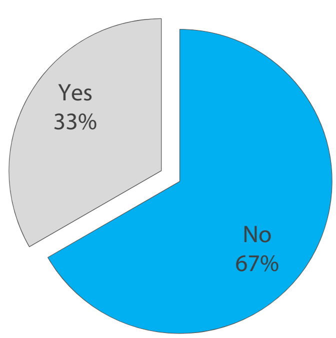
All respondents:

	Embedded Content	Responsive Website	PDFs	Apps
Use an external supplier	0	1	4	2
Developed in-house	11	6	5	1
Mix of both	8	6	0	3
Total	19	13	9	6

- NB splits by segment are not included as the same is too small to maintain confidentiality

Question J2. Blank Question

Question J3. Do you fix a budget? (of those respondents that currently use digital content)



Question J4. Use of Offshore resources (of those respondents that currently use digital content)

- 22 'No's (all respondents)

Question J5. Who owns the final content? (of those respondents that currently use digital content)

- All respondents:

	Code	User data	Usage data	IP
You	20	20	22	18
The content creator	0	1	0	2
Other	2	1	0	2

- The responses are consistent across all segments.

Lacunae Consulting Ltd.

Appendix 3 – Questions needing consideration by publishers to support moving to a more commercial model for video, apps and responsive websites

Appendix 3 – Questions needing consideration by publishers to support moving to a more commercial model for video, apps and responsive websites.

Author's note: As stated in the body of the report, as part of creating a new paradigm for an "all screen" environment and for emarkets to potentially become viable, a significant volume increase in video will be needed. Such a volume increase will need to be based on a sustainable business model. The following notes are derived from discussions with publishers and are offered for consideration by publishers:

Steps for publishers moving to a "commercial" model for video will likely include consideration of:

- What is the role of video in the overall content specification?
- What quality is appropriate for the video (including script and presenters, performers etc.)?
- How will the video be distributed and at what cost?
- Is the video to be commissioned and made, purchased from a third party, obtained from a brand as "sponsored" content (either from the brands existing pool or specially commissioned)?
- If commissioned, how will it be made (in house, by independent producer or by volunteers)?
- What will be the commission brief be and the budget?
- Will the work be assigned to a regular producer or bid?
- What will the contractual arrangements be, including rights?
- How will the video be monetised? Possibilities include:
    - Increased web site traffic increasing returns from existing advertising (likely to be very limited)
    - Third-party advertising revenue based on the number of views of the content
    - Advertising embedded into the video
    - Sponsorship of the video either by prerun advertising or similar
    - Part or whole payment of production costs
    - As part of a wider programme such as events

Further consideration should be given to how to manage the cost of the video. Possibilities include:

- Is the quality defined correctly?
- Can the content be purchased or otherwise sourced e.g. sponsored content more cheaply than made while meeting the overall goals?
- Can the work be competitively bid either to an approved supplier group or in a marketplace?
- Can all or part of the content be captured by volunteers? This option may apply particularly for cultural or other highly specialised events.

For apps/responsive websites, similar considerations will include:

- What are the content consumption trends amongst my target audience(s) by time and format? This information is likely to be based on publically available trend information data rather than custom research.
- What are the future priorities of my current and target advertisers by format?
- What are the projected audience and revenue opportunities from better serving a multi-format audience as well as the longer term risks of not addressing that audience?
- What are the best mechanisms to maximise on the emerging trends including “responsive” web development, newsstands, enhanced content (despite the resource implications)?
- Are there support funds to enable development activities?
- Can I buy services more effectively including offshore development/maintenance?