



E-COMMERCE OVERVIEW SERIES PUBLISHING INDUSTRY IN CANADA

February 2004

Description of the Sector

The publishing industry is composed of four sub-sectors: 1) publishers of newspapers, periodicals, books and directories; 2) software publishers; 3) music publishers; and 4) publishing, radio and television broadcasting over the Internet (refer to Diagram 1). More than 7,000 firms participate in this sector (Statistics Canada, 2000 and Industry Canada, 2003), 88% of which are small- and medium-sized enterprises (SMEs) with 1 to 49 employees. These firms are concentrated in Ontario (39%) and Quebec (27%).

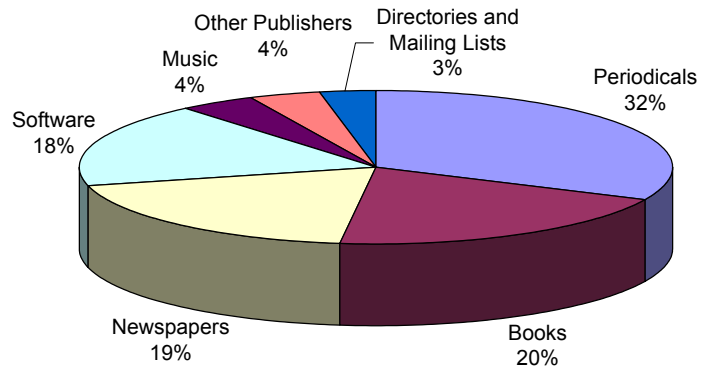
Role of Information and Communications Technologies (ICT) in the Sector

In 2002, about 67% of firms in the publishing industry had a Web site (refer to Table 1). This rate exceeds the Canadian average of 29% posted for the private sector as a whole by a wide margin. The publishing sector is therefore well positioned to profit from electronic business (e-business) models. The software publishing sub-sector accounts for the highest percentage of firms on the Web (90%), followed by publishers of directories (82%), periodical publishers (72%), and book publishers (64%).

Among the top five products purchased online by Canadians in 2000, books and periodicals ranked first at 42%, while software placed second at 23% (EKOS, 2001).

E-business has altered the very definition of the publishing industry, transforming it into an intangible service. Publishing was considered, until recently, a first step in obtaining a printed product. The advent of ICT has changed the definition of the industrial classifications in the publishing field in Canada. Publishing is no longer part of the manufacturing sector, but is instead part of the services sector. The Internet has provided an additional form of publishing that competes with paper, diskettes and CD-ROMs, conveying increased power to those publishers who have access to it.

Diagram 1
Structure of the Publishing Industry in Canada
N = 7,241 firms, all categories included, 2000



Source: Statistics Canada, 2000 and Industry Canada, 2003.

Table 1
Proportion of Firms Having a Web Site by Sub-sector and by Region

| Sub-sector | Percentage of Web Sites (1) | | | |
|---------------------------------------|-----------------------------|------------|------------|------------|
| | CAN | ON | QC | BC |
| Software Publishers | 90% | 91% | 90% | 81% |
| Directory and Mailing List Publishers | 82% | 86% | 69% | 93% |
| Periodical Publishers | 72% | 78% | 60% | 68% |
| Book Publishers | 64% | 68% | 57% | 72% |
| Music Publishers | 58% | 57% | 50% | 100% |
| Other Publishers | 56% | 71% | 48% | 50% |
| Newspaper Publishers | 54% | 57% | 63% | 62% |
| Total (2) | 67% | 72% | 68% | 67% |

(1) The percentages represent the number of firms that have a Web site.
(2) Internet adoption rate for all of the sub-sectors in the publishing industry.

Source: Scott's Business Directories, 2003.

References:

Scott's Business Directories — Quebec Industrial Directory, 2003
Statistics Canada, 2000, Canadian Business Patterns (Beyond 20/20)
EKOS (2001), Rethinking the Information Highway, February,
<http://strategis.gc.ca/ecom>
Industry Canada, 2003, Software Publishers (SCIAN 51121), June 3rd,
<http://strategis.gc.ca/ict>

To learn more, you can visit these Web sites:

www.cefrio.qc.ca/english/indexAccueil.cfm
<http://strategis.gc.ca/bis>
<http://strategis.gc.ca/ebizenable>
<http://sourcecan.com>

New Electronic Business Models

A wide variety of technological solutions can be found in the publishing industry. Since the goals used to measure success are different from one firm to another, there is no single winning formula, but rather an array of possibilities adapted to the situation in each firm. The nature of the electronic solutions arising out of business models depends largely on the strategic scope and degree of innovation proposed. Each business model category responds to a specific market requirement. Diagram 2 sets out a few examples of firms or Web sites that stand out in the publishing industry. Most publishing SMEs in Canada belong in quadrant one.

Issues for Canadian firms

The main issue is to promote the diffusion of Canadian content through a growing number of Canadian SMEs in the publishing industry on the Web.

Barriers

Computerization combined with publishing on the Internet reduces operating costs considerably (refer to Diagram 3), because Internet publishing eliminates printing costs, or passes them along to the end user. To profit from this technological support, SMEs must acquire skills very different from traditional paper-based skills that leave them vulnerable to competition from new electronic players, such as Internet publishers and software publishers (whose skills focus on the Internet).

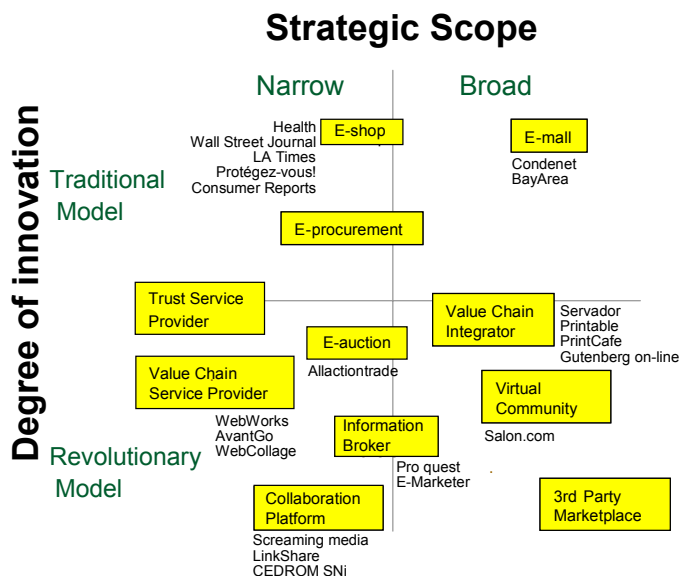
Opportunities Open to Firms in the Sector

By eliminating certain stages in production, e-business favours SMEs by allowing them to operate efficiently with a smaller staff and a lower break-even point on design and production.

In the evolution of offering products online, and in the wake of the online purchase of books and magazines, the publishing industry in Canada is turning to the sale of magazines and books in electronic format online, such as e-Books, personalized books, Self-Publishing, blogs (1) and Open Source codes like Linux. These initiatives are at the emerging stage and successful models are yet to be defined.

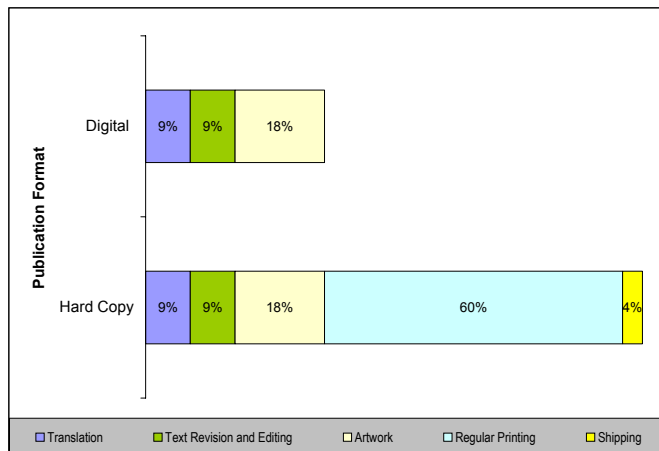
(1) A blog is an evolving and non-conforming Web page that displays all sorts of information, usually in the form of short text updated regularly, and for which the very open content and format is left entirely to the discretion of the authors (translated from Office de la langue française, 2003).

Diagram 2
Technology Solutions Arising From Business Models



To fully understand diagram 2, the reader should consult the document entitled "Electronic Business Models: A Conceptual Framework for Small- and Medium-sized Canadian Enterprises" at the following address: www.cefrio.qc.ca/english/pdf/Strategis%20_Eng.pdf. This document describes in detail the four main models illustrated in the above diagram.

Diagram 3
Sample Costs Associated with the Production of a Specialized Periodical Opportunities open to firms in the sector



Published in Partnership

This document has been prepared by CEFRIO, as part of the project "New E-business Models and SME Development", a project undertaken in cooperation with Industry Canada, the National Bank of Canada, TELUS, CANARIE and Canadian Heritage.

The research team included Mrs. Louise Côté and Mr. Michel Vézina from HEC Montréal, and Mr. Vincent Sabourin from the Université du Québec à Montréal.

For more information, please go to the CEFRIO Web site – *the authority on information technology appropriation* – at: www.cefrio.qc.ca/english/indexAccueil.cfm

