

## A future for tablet publishing? La Presse case study

François Godard  
+39 3355 289127  
francois.godard@endersanalysis.com

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Montreal's *La Presse* follows a unique tablet-focussed, free access, fast track digital strategy. It said adieu to weekday print editions in December. An in-house developed app – *La Presse+* – sets new benchmarks: advertising friendly, easy to navigate, and engaging

High ABC1 market share in French speaking Quebec helped build digital scale rapidly. *La Presse+* has broken circulation records thanks to an influx of younger readers. Advertising is sold at a premium to print and the newsroom has expanded

In a tougher market *The Toronto Star* launched the app last September with positive initial results. *The Star Touch* approach is additive rather than substitutional to print and may be more relevant to newspapers elsewhere. Slower tablet penetration growth is not overly concerning as phone screen sizes increase and PCs and tablets converge

On 31 December 2015, Canada's third most read daily newspaper<sup>1</sup>, *La Presse* published its last weekday paper edition. It kept its large-scale, advertising rich Saturday edition but its free tablet app, *La Presse+*, became its main form of delivery. The paper made a virtue of necessity – unsustainable high distribution costs – and chose an accelerated migration path others would shun. The tablet has allowed *La Presse* to transfer the big newsroom model from print to digital – editorial staff has increased 10% during the transition.

This project nicely illustrates that tablets, despite their much smaller audiences compared to smartphones and PCs, can deliver superior engagement by an order of magnitude. The average reader of *La Presse+* spends about 30 minutes per day on it<sup>2</sup>, as opposed to two minutes per day for the average PC or mobile user. This result is achieved thanks to a sophisticated app which produces an immersive experience akin to print. The *La Presse+* reading time per day is four times that of *The Washington Post's* tablet app, the most sophisticated and the most read in the US, and six times *The Guardian's*, the highest ranking of any British quality paper (Figure 1). This higher engagement allows *La Presse* to generate more audience on tablet – in million of minutes viewed – than the top US and UK newspapers, aside from the MailOnline in the UK, despite much lower connection totals (Figure 2).

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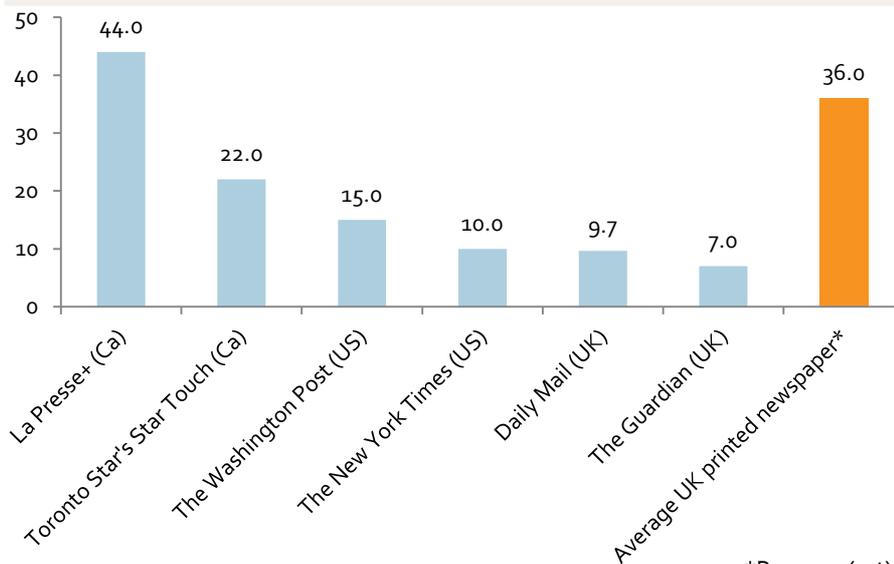
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<sup>1</sup> In this report, unless stated otherwise, we use Canadian print and digital readership estimates from Vividata for Q2 2015 for 18+ individuals, average issue audience, Monday to Friday

<sup>2</sup> That is 44 minutes per tablet, each with an average of 1.5 readers

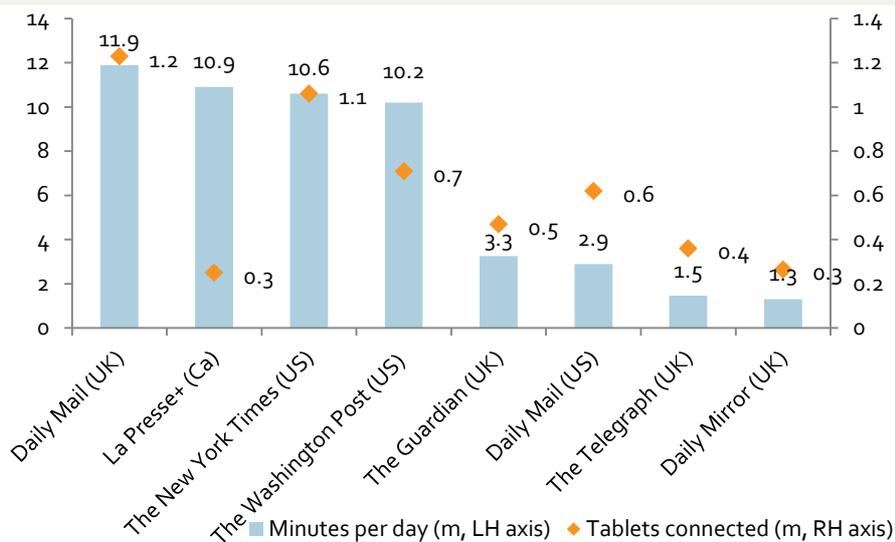
Figure 1: Daily tablet reading time (min/tablet)



\*Per copy (est)

[Source: Enders Analysis from La Presse, Toronto Star, comScore Jan-16]

Figure 2: Daily newspapers tablet audience



[Source: Enders Analysis from comScore Jan-16]

Adding momentum to an established strong brand, *La Presse+* has managed to achieve a digital critical mass in the advertising market. This report will first look at indicators that the publisher has found a sustainable growth model (owners do not disclose P&L). We will then ask whether this is replicable in more competitive markets, a proposition which has been tested by the *Toronto Star* since September, so far with encouraging results. The *Star* model, which uses the tablet to target a younger audience to its print readers, may provide an interesting template for some established newspapers elsewhere. However, we doubt it is a feasible strategy for publications who have suffered the heaviest print losses and share of voice, such as *The Independent*. The report will then conclude that the main uncertainty facing the two Canadian publishers is that of the future of the tablet itself.

### The tablet news app – finally tried properly

In the wake of the 2010 iPad launch, many newspaper publishers thought they had found the solution to the digital conundrum. Tablet editions could deliver a reader experience far superior to PC, in an enclosed reading environment that favoured user engagement and made advertising prominent and unobtrusive. Publishers rushed to create a more or less digital replica of their print product on tablet and... waited for subscribers. Initial high expectations turned sour as testified by the closure of News Corp's *The Daily*, in December 2012. Then the rise of smartphones diverted newspapers' attention away from tablets, causing them to be overlooked as a news platform, at the risk of a missed opportunity.

In the wake of the subprime crisis, *La Presse* engaged in a deep restructuring exercise that restored profitability (annual costs were cut by c\$29 million) but left it with expensive print practices reminiscent of 1970s Fleet Street. Management realised that the downward trend in print advertising and young adult readership fatally undermined the business model in the medium term. This led to a 2010 digital development project with a price tag of c\$40 million (of which 60% went on wages). The output was the *La Presse+* app, launched in April 2013.

Management developed a radical game plan based on an analysis of the uncomfortable realities in digital:

- Light reader engagement plus low and decreasing costs per thousands (CPMs) meant that they saw no viable business model on mobile and PC. In 2010, monthly viewing of *La Presse's* websites was one of the highest in North America at close to 60 minutes, but the monetisation potential was miserable<sup>3</sup>
- A generation of younger consumers were irremediably lost to the idea of paying for written content online and *La Presse* was far too much of a tiny player to change this – the hard choice was between a paywall and advertising
- Advertising sales on a new medium need scale to raise the awareness of advertisers and gain their acceptance for a new currency; a shift from estimating unique visitors to metered app usage

*La Presse's* leadership shared the wider industry's positive view of tablet as user and advertiser friendly. However, unlike most publishers, they became convinced that this potential could only be realised through a free model where the app becomes the core news product rather than a digital spin-off of the print edition.

In a North American newspaper industry, where market research is still viewed with scorn, *La Presse* widely tested its app with readers, including editorial and crucially, advertising formats. It used passive eye tracking systems in order to discover how users navigated through the stories and what they actually saw and read – as opposed to what they might claim to "want" to read in questionnaires. Research showed that tablets induced far stronger engagement than PC or smartphone screens – revealing that attention falls off a cliff on screens below seven inches. A general preference for text over (even short) videos also emerged.

The resulting product delivers in our view the best news tablet application in the market, chiefly because it brings key print features to its tablet version, including:

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<sup>3</sup> As a comparison, in December 2015 the top read UK newspaper website was the Daily Mail with 61 minutes per unique visitor, followed by The Sun with 21 minutes, according to comScore.

- A single daily edition, turning away from the breaking news mindset predominant on TV, smartphones and the web
- A set number of screens (70-80 on weekdays, up to 150 on Saturday), structured in five to ten sections. This creates finality in the product and easy navigability, as the reader always knows where she is in the thread. The flexibility of digital is also maintained, as a single screen devoted to a story is often skilfully divided into a number of sub-screens
- A pure landscape layout with scroll-down text and, crucially, no back button (although scrolling back is easy), and thus no underlying idea of a home page, but rather a left to right reading and discovery path
- A carefully curated layout – a big design team is needed to produce each edition with a unique feel. This is the opposite of the pre-set format filled in automatically by content produced for print, prevalent elsewhere
- The newsroom is driven by the tablet platform and detailed daily readership data – the rest is “satellite” output. Stories are often broken in touch-to-pop-up pieces where text is typically laid out on top of a picture which can easily be enlarged. Framed slide shows can be flicked through without leaving the screen<sup>4</sup>
- Original videos produced by the newsroom are available in many stories<sup>5</sup>. Importantly, users’ interest in videos has proved to be very selective and total output has been curtailed since launch, and refocussed on very short items (a hockey game’s goals) or occasional long-form reports. Sound bites are easily integrated into the text, a feature at its best in music reviews.
- Importantly, all multimedia material is optional and consistent with the news story. Links to web sites (clearly identified as such) open a pop up without closing the app to which the reader falls back to after closing the pop up

The qualitative layout approach is especially successful with advertising. Essentially, *La Presse+*’s ads leverage the technological potency of internet advertising while maintaining the unobtrusive character of print advertising. Ads appear either as a full screen or a fraction of the screen, with or without interactive options (sold at a premium). A popular format allows the user to swipe through part of the advertisement to see, for example, several different garments from a clothing retailer. Another displays only an appealing message, inviting readers to “scratch” it to access more details. Simple games, such as snow ball throwing, are also used. In addition, sound, video and web links are available as options. To avoid upsetting users editorial videos carry no ad spots. The unobtrusive experience makes ad blockers to some extent *La Presse+*’s best allies. We understand that management resisted developers’ calls for pop ups, automated videos and other off-putting gimmickry. All advertiser financed content is placed within clearly demarcated occasional “xtra” sections. Data from tagged tablet users is used to target them on PCs and smartphones.

### **Business model transformation**

*La Presse+* was introduced in April 2013 and the weekday print edition ended less than three years later. The quick turnaround reflected one constraint specific to

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<sup>4</sup> The drawback is that *La Presse+*’s content exclusive to tablets is not searchable and cannot be shared beyond the community of the app’s users, although articles appearing on the website can circulate on social networks.

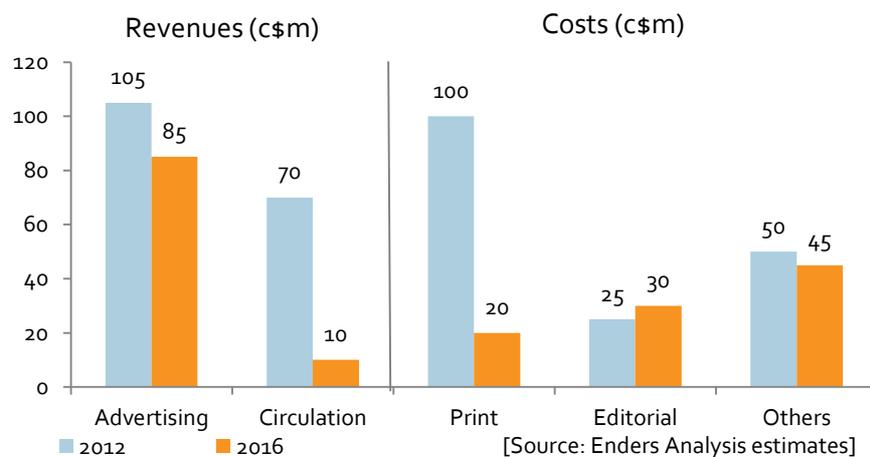
<sup>5</sup> Our only issue with this is that once clicked, a video story appears in a pop-up screen rather than in its initial position, a feature of the *Washington Post* tablet app launched in 2015. However, *La Presse+*’s user never leaves the app.

the paper: its high cost structure, inherited from a fraught industrial relations history. *La Presse* never delivered the fat margins many other North American metropolitan newspapers enjoyed up to the last recession. Another factor that justified the rapid shift to digital was the need to build a mass appeal product, offering a credible alternative to print for advertisers. Crucially, management thought that the decline in print advertising meant that any delay in the transition to digital translated into lower ad sales at the end point. *La Presse* estimated that about 80% of its print advertising could migrate to the app, with the remaining 20% being mostly classifieds which had long been identified as a dying business segment for generalist news outlets.

In 2013 the paper bought a c\$30 million option from its printers that allowed it to cancel its contract at any time. The app roll-out was supported by advertising campaigns and relentless promotions in print and online for content found exclusively on the tablet. In September 2015, in view of the momentum gained by *La Presse+*, management announced that weekday printing would come to an end by December.

In the chart below we have assumed that *La Presse* was breaking even both in 2012 and in 2016. If our estimates are right, the point of the transition was to shift between two fixed cost models, but the first was supported by a declining revenue source – print advertising – while the second derives revenues from the growing digital advertising market.<sup>6</sup> The total news staff has grown from 215 in 2009 to 260 today, as content output has increased, notably with the Sunday edition.

**Figure 3: Revamped model, rising editorial resources**

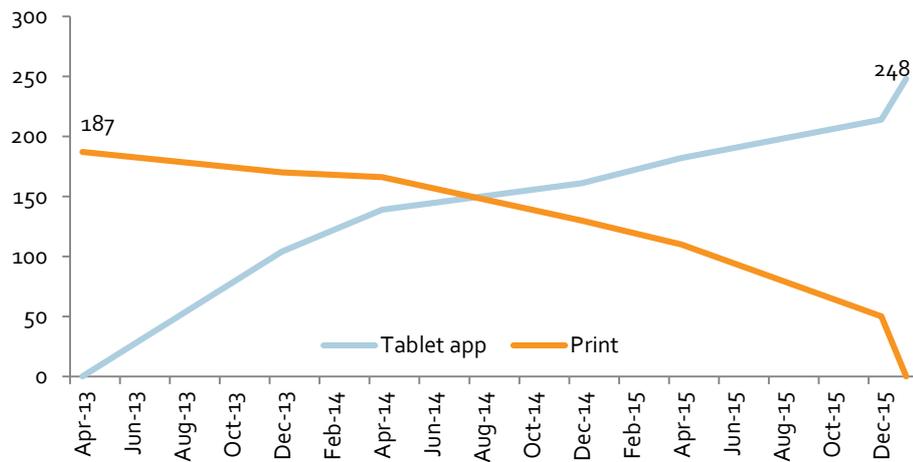


### Audiences and advertising sales

One of the new model's key innovations is to establish the average number of apps connected by day as a plain substitute to the old print circulation figure. To strengthen its claim *La Presse* signed up the circulation police of the Alliance for Audited Media to audit its systems. The January 2016 weekday connected tablets average of 248,000 is significantly greater than the 2013 print total and to *La Presse*'s historical sales peaks of 221,500 in 1971 and 208,000 in 2009. The figure has been rising steadily with a single-day record of 275,000 achieved in February.

<sup>6</sup> We leave aside the pension fund deficit, which we understand to be an issue at *La Presse* as it is at many other North American newspapers.

**Figure 4: La Presse's M-F circulation per issue (000s)**



Note: Print figure is average for the year [Source: La Presse, AAM certified]

Given that tablets have less readers per copy than print (1.5 vs about 2), the result is surprisingly stable. The app is used on a weekday for 40 minutes per tablet, for 60 minutes on a Saturday and 50 minutes on a Sunday – figures comparable to that of typical printed newspapers when readers per copy are factored in (Figure 1)<sup>7</sup>.

However, the apparent stability hides a marked improvement in readership performance, both in terms of profile and relative positioning. Results from a one-year old survey commissioned by *La Presse* show how its tablet readers present a much more advertiser friendly profile than its print readers and the rest of the population – although we would expect younger and more educated readers to have been predominant amongst *La Presse*'s early adopters in line with the demographics of early tablet and smartphone users.<sup>8</sup> In Montreal last month anecdotal evidence pointed towards widespread usage amongst 30-50 year olds, less so amongst twenty-somethings.

**Figure 5: La Presse's readers profile by platform (% share of audience)**

	Tablet	Paper	Quebec population 18+
25-54 years old	63	46	52
>C\$100,000/year HH revenue	43	28	16

[Source: Crop/La Presse, January 2015]

Canadian press readership measurement was revamped in 2015 with the launch of Vivadata, whose reporting is not directly comparable with that of its predecessor, NADBank. However, we can note that the *La Presse* weekday issue's lead over its main competitor, *Le Journal de Montréal*, in their metropolitan market, has increased from 14% in 2012 to 24% in 2015; the *Journal's* paywall, launched in 2012 and closed at end-2015, did not help it.

The improved reader profile has allowed *La Presse* to produce significantly higher tablet CPMs than in print. This is thanks to notable gains in revenues from

<sup>7</sup> In an international survey the OECD found that in the late 2000s the average print newspaper user spent between 20 and 30 minutes per day reading her daily (*News in the Internet Age, 2010*). Allowance must be made to account for differences in research methodology.

<sup>8</sup> Vividata does not breakdown tablet readership by sociodemographic group

advertising categories that have been disappearing from print, like food, beauty and pharmaceuticals, with some funds taken away from TV budgets, according to management. We understand that the tablet's full page equivalent CPM is close to c\$55, against c\$42 for print, c\$13 for the PC website and a meagre c\$3 for smartphones. *La Presse* says that 70% of its advertising revenue comes from tablets, 15% from other web platforms and 15% from the Saturday print edition. Thus our estimate of advertising revenue per platform shows that the tablet reader is *fifty times* more valuable than the mobile reader.

**Figure 6: Engagement is key: Audience and revenue by platform\***

	Reach per issue (ooo)	Advertising sales (c\$m/year)	ARPU (c\$/year)
Mobile	650	1.8	3
PC	650	10.8	17
Paper	260	13.0	50
Tablet	370	58.5	158

\*Daily, weekly for paper

[Source: Enders Analysis estimates]

### The *Toronto Star* test case

One key issue raised by *La Presse's* transformation regards its replicability. French speaking Quebec is a small market largely insulated from North American media by language. In Quebec, domestic broadcasters generate the majority of TV audiences, elsewhere in Canada most viewing goes to American services. Paris-based media only have an élite following across the Atlantic. Amongst Québec's white collar population, *La Presse's* only direct rival is the French service of the Canadian Broadcasting Corporation (CBC). It can thus be argued that *La Presse* has a dominant position in the local, commercial media ecosystem that is much stronger than comparable metropolitan newspapers elsewhere, a position that eased the acceptance of its digital proposition by readers and advertisers for lack of strong alternatives.

This argument is now being tested. Last year, the *Toronto Star* shifted its business model one step closer to *La Presse's*. It had previously attempted to operate a paywall on its digital offering but pulled it down in April 2015 after only two years of operations. In September, it launched *Star Touch*, a free tablet version running on *La Presse's* app, costing c\$13-15 million in capex and c\$8-9 million extra in running costs. The *Star* is Canada's top print daily, focussed on Toronto, with a broadsheet middlebrow positioning, similar to *La Presse* and, indeed, to many North American metropolitan papers.

There are, however, marked differences between the two publishers. The *Star's* print production costs are more sustainable than *La Presse's* were, and so its strategy remains to milk print for as long as possible (although it will raise retail prices). The purpose of *Star Touch* is to gain a new readership without cannibalising the print audience. This entails a subtle editorial rebalancing; on the one hand the whole *Star* newsroom is now, like *La Presse's*, focussed on the tablet platform, but on the other hand the print version still carries a wider content offering and will remain the key sales vehicle for the foreseeable future.

Early returns from *Star Touch* look positive. In late January, after four months, it disclosed 200,000 downloads, a figure in line with *La Presse's* debut (which had benefited from a bigger launch campaign). The average number of apps active on weekdays was 45,000 and 50,000 on weekends, with respective usage durations of 20 and 27 minutes, only half those of *La Presse's* but still far ahead of other online newspapers (Figure 1). Crucially, management believes that overlap with print is

minimal as sales of the paper have barely decreased, with most *Touch* readers having gained familiarity with the brand online or been lapsed print subscribers. Most advertising is still sold in bundles to print and, while it is too early to make a CPM assessment, the *Star's* management is convinced that if its app reaches the scale of *La Presse+* it definitely has a business model.

The *Star's* approach – nurturing a spin-off aimed at a new audience – may be more relevant to newspapers with print costs under control and high circulation revenue. The crucial point is that, to take off, the tablet model needs an existing operational scale that can be leveraged – a large newsroom to produce exclusive content, a wide reputation to ensure that enough consumers will download the app, and an existing relationship with advertisers who can be enticed to buy inventory, crucially through bundles. The model could possibly be attempted by a deep-pocketed publisher without an existing brand but with *massive* investments in editorial and marketing. However, only free distribution can lead to audience scale and advertising revenue compatible with the necessary editorial footprint – with the benefit of hindsight, we would argue subscription-based *The Daily* was a dead end.

One thing is clear: the Canadian tablet model is not a life jacket strategy for newspapers which have experienced the worst declines in print; these titles simply do not have the level of brand recognition among online news readers to bet their entire digital strategy on one platform. In the UK we would cite the *Daily Express* in the popular market and *The Independent*, which recently announced the closure of its print operations, as titles which would clearly be unable to generate sufficient traction among online audiences through a tablet-focussed strategy. The approach would need a substantial transition period of coexistence between paper and tablet, and the app launch could only take place after long and careful preparation- whereas *The Independent* has announced it will cease print with only one month's notice. Without synergies from a wider publishing organisation, advertisers would be difficult to entice even for a low cost trial of the new platform. In our view only a newspaper with significant audience and advertising market shares, existing large editorial resources, a middle class positioning and a brand which appeals to young adults, should try to emulate *La Presse+*. Titles like *The Guardian* or Fance's *Le Monde* are the ones with a shot.

### **The future of the tablet platform**

It would be easy to scoff at the tablet model – iPads are *so 2010*. Global volume sales have dropped from 220 million in 2013 to 207 million in 2015 (according to IDC), leading many to question whether the device may have been only a fad of a few years which has now been superseded by the smartphone. We believe that the tablet story is far more nuanced.

In 2010-13 tablet sales grew at a pace unprecedented in consumer electronics and this growth was due for a correction. Tablets have a much longer life cycle than the two years typical of mobile phones, and, while current sales are enough to keep penetration rising, penetration will now inevitably occur at a slower pace. By 2019, *eMarketer* expects tablet usage to rise by about five percentage points in mature markets to close to 60% of the population in the UK, 55% in the US population and below 50% in Canada, France and Germany. Besides, this translates into much higher figures for the groups of young adults and families with above average income. These sociodemographic groups contain consumers who are ready to spend 30 minutes per day reading a news source and are unlikely to consider a \$100-200 price point for a basic tablet to be a turn-off. In the UK in H2 2015 tablet

usage varied from 40% within the DE category to 70% amongst ABs, according to Ofcom. *La Presse's* tablet edition overtook print circulation despite 2015 headline table usage of only 42% of population in Canada.

Meanwhile the average size of smartphone screens is rising steadily and the Microsoft Surface and iPad Pro concept of a hybrid PC and tablet device may gain traction (but sales are still a small fraction of those of tablets). We would also point to the popularity of tablets as a children's video device. In this context tablets are difficult to substitute with a smartphone as smartphone users are unlikely to lend their devices to children and the screen is too small for long form video.

**Figure 7: Global smartphone active users by screen size (inches)**

	<3.5	3.5-4.9	5-6.9
Mar-15	2%	73%	25%
Jan-14	5%	87%	8%
Feb-13	9%	88%	4%

[Source: Flurry]

This being said, the tablet's status as a family, home device, means that it cannot be expected to become the unique platform for a news services. Social media and smartphone usage cannot be overlooked, if only for brand awareness and to fill in the breaking news demand, which could be a route for competitors. In both these regards, the Canadian experience has nothing new to teach.

To conclude: what we like about *La Presse+* is its deliberate and courageous contrarian approach to news distribution. Against the environment of content dispersion on multiple platforms individually consumed at fragmented, distracted times and the repetitive breaking news flow, *La Presse+* creates sit-back, family readership on a single screen. Against trendy automated advertising sales driven by readers' browsing history dissociated from content, *La Presse+* delivers a highly contextualised editorial environment where advertising can meet forward looking readers' interests. The free model recognises that paywalls belong to selected elite titles and that digital distribution's economics is based on free access to marginal readers; an approach closer to broadcast than print.

The Canadian experience shows that tablets (and possibly the biggest smartphones) have an untapped potential for engagement – that is, undistracted readership over longer time periods. If this potential can be leveraged with sufficient scale it opens a space for brand advertising that may be more lucrative than the direct response model which is the current focus of many newspaper's online strategies. The tablet news model deserves a careful reconsideration.

## Enders Analysis

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