

Summary Statistics of Community Newspaper in Canada

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Summary:

While daily newspapers have been the subject of numerous studies worldwide, community newspapers in Canada have received little attention. Despite their smaller reach and influence compared to dailies, community newspapers play important roles in providing detailed information within local communities, which may be more relevant to people's daily lives. However, one of the primary challenges of studying community newspapers is the lack of reliable data. To address this gap, we obtained data from News Media Canada, a trade association for newspaper publishers in Canada that was established in 2016 through the merger of the Canadian Newspaper Association and the Canadian Community Newspaper Association.

The dataset we obtained from News Media Canada allows us to observe the circulation, newspaper names, and owners (media firms) of each community newspaper from 2013 to 2019. While this is probably the best data available on Canadian community newspapers, it should be noted that the dataset is noisy and incomplete. This is because each newspaper chooses whether to subscribe to a membership with News Media Canada, and if they do, they can voluntarily report their circulations to the association. As a result, not all community newspapers across Canada are captured in this dataset. Additionally, if a newspaper was present in the dataset in the past but does not appear in the current year, it does not necessarily mean that the newspaper has stopped publishing. It may be because they decided to suspend their membership or chose not to report their statistics to the association. Nevertheless, most of the newspapers choose to subscribe to the association and we expect that this dataset can still capture the aggregate market features of community newspapers in Canada and provide some insight into the industry.

In this paper, we investigate changes in circulation, number of publishers, and distribution patterns over time, with a focus on identifying trends and patterns that can shed light on the state of community newspapers in Canada. By doing so, we hope to contribute to a better understanding of the market structure of community newspapers in Canada, and provide insights for policymakers and industry stakeholders.

To begin our analysis, we plotted the time series for the aggregated circulation of community newspapers from 2013 to 2019 and summarized the number of firms and different newspapers for each year. While it's important to note that some newspapers may be missing from the dataset due to data issues, we assume that the aggregate number of newspapers and firms can still capture the time trend in the industry. Additionally, while the dataset may not include all newspapers and firms each year, we assume that the aggregate number of firms can provide insights into the overall features of the Canadian community newspaper market. Finally, based on the circulation data, we calculated the Herfindahl index for community newspapers.

Figure 1 displays the combined circulation figures for community newspapers in Canada between 2013 and 2019. The data indicates fluctuations in the initial three years, followed by a declining trend, suggesting a contracting market. However, due to the limited time period of the data, it is important to interpret the figure with caution. The newspaper industry has been facing fierce competition and erosion from online news platforms in the previous decades. Many community newspapers have been transitioning to online formats. In 2017, Postmedia and Torstar announced a deal to swap

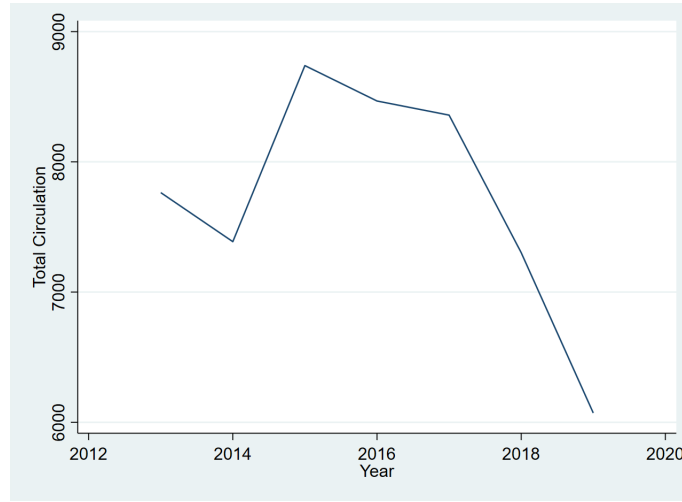


Figure 1: Aggregate Circulation Each Year

41 newspapers, subsequently resulting in the closure of 36 newspapers. This action seems to be an strategic response to the shrinking market, where each newspaper generates less profit, and firms choose to close non-profitable newspapers to save costs.

Figure 2 displays the number of different firms that published community newspapers during the same period, revealing a stable count of around 110 firms with limited fluctuations each year. Despite the market's contraction, the data indicates that the number of firms involved in the industry remains relatively stable, and there is no significant merger wave leading to a decline in the number of firms.

Given that each newspaper's profitability decreases in a shrinking market, we aimed to investigate the market's competitiveness by examining the possibility of collusion among large firms. It is hypothesized that large firms may shut down newspapers to avoid competition, leading to increased market concentration and profitability. To investigate this hypothesis, we plotted the Herfindahl-Hirschman Index (HHI) for each year. Contrary to our hypothesis, there is no evidence of decreased competitiveness in the market. The HHI declined from just below 5000 in 2013 to just below 3000 in 2019, indicating increased competition. One possibility for this trend is that as the market shrinks, product differentiation becomes more critical for firms' survival. In order to remain competitive, newspapers must provide insightful and distinctive information. Additionally, small, local firms may capture news and information that is more isolated within the community, which large firms cannot, thus contributing to increased competition. This finding is consistent with the competition bureau's final decision on the investigation of the newspaper swap in 2017. The bureau closed the case and concluded that no further actions were necessary since there was no clear evidence of decreased competitiveness in the market over time.

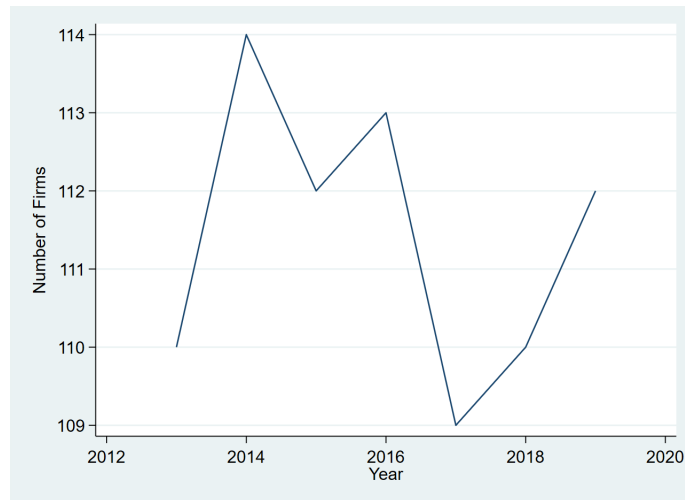


Figure 2: Number of Firms Each Year

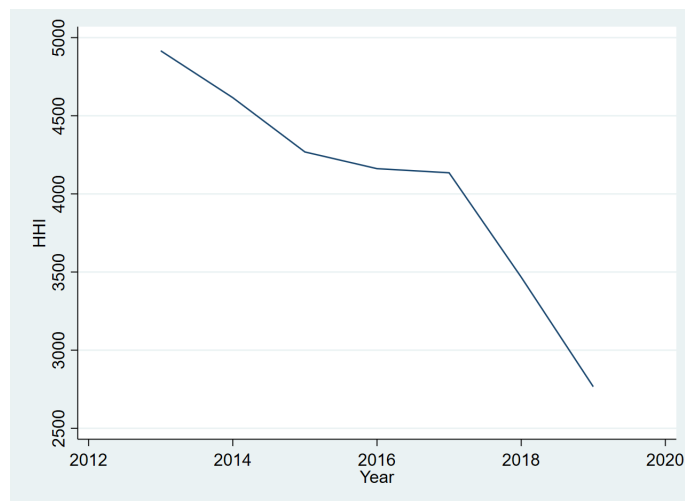


Figure 3: HHI Each Year