



AllNovaScotia.com: Success or Anomaly?

In 2001, media entrepreneur David Bentley founded the first online, local news website in Halifax, Nova Scotia. Twelve years later, unlike many digital news experiments of the early 21st century, *AllNovaScotia.com* was an unqualified success. Its devoted readers included politicians, professionals and pundits of the small city on Canada's eastern seaboard, and its newsroom included a stable of talented and well-respected journalists. Perhaps most unusual, the business had no debt and generated a steady profit.¹

Bentley had built *AllNovaScotia* by following his own instincts, which led him away from most of the best practices of online journalism of the time. While others lauded the Internet's potential for online ad revenues, multimedia storytelling and audience participation, Bentley insisted on hefty subscription fees, eschewed all photos, video and graphics, and refused to adopt any regular form of reader engagement. His formula had worked for a decade, and by 2013 the rest of the world had started to take note.

Yet Bentley was worried: how could he best perpetuate *AllNovaScotia's* success? He wasn't sure what his next step should be. Might larger media companies with deeper pockets adopt his methods and crowd him out? To prevent that, should he adopt an aggressive growth strategy and expand in Halifax or other markets? Should he sell the business? Bentley was about to turn 70 years old, and he hoped that the company would operate for years to come. How could he ensure that *AllNovaScotia* would continue to thrive after he was gone?

Unusual Founder

David Bentley was a hard news guy. Even at 69, he headed out the door many mornings with a reporter's notebook in his hand. He sat on the wooden benches of the local courthouse to cover the trial of a prominent local businessman accused of fraud, and worked the phones to verify details about local appointments and promotions. He had a byline almost every day.

¹ Most details about Bentley's personal life and *AllNovaScotia's* early finances are based on the author's interview with Bentley on February 26, 2010, in Halifax, Nova Scotia.

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The *ANS* website gave no hint that Bentley was the founder and editor of the organization, referring to him only as a business reporter. His was the fourth name on the masthead, after political reporter Brian Flinn, a veteran journalist who had built his reputation at the local tabloid before moving to *AllNovaScotia*. A casual reader might assume Bentley was just another reporter, but he wasn't. The business model, editorial direction and organizational structure of the news organization were built on four decades of Bentley's personal experience as a journalist and entrepreneur.

Bentley wrote his first news story at 17, for the *Working News and Mail* in Surrey, England. Three years later he was hired by Harold Evans, the legendary editor who would go on to lead the *Sunday Times* in London and the *Atlantic Monthly* in the US. At the time, Evans was editor of the *Northern Echo*, and Bentley worked for him for three years as a reporter, editor and bureau chief in a working-class district in northern England. Bentley says Evans shaped him as a journalist, and that his *Northern Echo* apprenticeship was largely responsible for his own approach to reporting and the news business.

Bentley immigrated to Canada in 1966, taking a job at the largest daily in Halifax, Nova Scotia, a port city that was the economic and political hub of the Canadian Maritimes. From there he moved to the *Financial Post* in Toronto. In 1970, he started his first publication, a woman's magazine, which closed after two issues. Bentley learned three key lessons from that early failure: don't give away your product; don't depend on advertising revenues; keep costs low.

Bentley returned to Halifax in 1974. The city was growing, particularly its northern suburbs of Bedford and Sackville. Bentley launched a tabloid newspaper to serve those bedroom communities. The *Bedford-Sackville News* started as a weekly. Its only print competition was the dominant daily, the *Halifax Chronicle Herald*, which covered the entire province. In 1979, Bentley expanded the publication to six days a week. Not long after, he moved the newspaper to Halifax, changed its name to the *Daily News*, and took on the *Chronicle Herald* directly. In 1985, he sold what had become a thriving enterprise to Newfoundland Capital Corporation, a media company based in Atlantic Canada.

Days of *Frank*

But Bentley wasn't done. Two years later, he launched *Frank* magazine, a weekly gossip sheet focused on the rich, powerful and well known in Nova Scotia. The magazine focused on the kind of personal information that mainstream Canadian media usually ignored. It became a must-read for local business people, reporters and politicians. The stories carried fictitious bylines and the tone was sharply sarcastic.

Nova Scotia had relatively weak freedom of information laws, but *Frank* made maximum use of public records. Reporters combed court files, lien notices, public accounts and government

tenders. Features highlighted the net worth of local celebrities' private homes. They delved into divorce court files, listed politicians' expenses and followed up on government scandal. It covered disciplinary actions against doctors and lawyers and paid a great deal of attention to the career paths of executives, politicians and media personalities. It was salacious, irreverent and a hit with the public. Local supermarkets gave *Frank* prominent positioning, and it often sold out within the week.

Bentley ran *Frank* on a shoestring. The office was a cramped suite above the Bluenose II Restaurant, a greasy spoon where many of the city's power brokers met for breakfast. The elevator often broke down, and a rat occasionally sauntered down the hall in broad daylight. It neither cared about nor practiced good design or quality production. It was printed in black and white on the cheapest newsprint. *Frank* carried no advertising because it couldn't. Bentley knew that no local or national advertiser would be interested in appearing next to the kind of titillating gossip that he served to readers each week.

Frank was so popular in Halifax that Bentley gambled on a national edition. In 1989, he moved to Ottawa to launch *Frank* (Ottawa) with a new partner, Michael Bate. The magazine used the formula he developed in Halifax: gossip and sarcastic commentary based on anonymous sources and public records delivered to readers via a poorly printed, black and white mini-tabloid. The national edition focused more on politics and media and quickly became mandatory reading in government offices and newsrooms. Canadian media had never been subject to such public scrutiny, and *Frank* enraged many publishers when it reported the stories behind promotions, demotions and internal newsroom politics. Managers of one Toronto paper traced staff codes for the fax machine to try to uncover the *Frank* mole in the newsroom.

But while the national edition of *Frank* was controversial, it was not very profitable. In 1991, it ran a mocking commentary about the daughter of the prime minister that deeply offended many readers and drew several lawsuits. Bentley sold his interest in the national edition of *Frank* that same year and returned to Halifax where he continued to publish the Nova Scotia edition. In 2000, he sold controlling interest in the Halifax edition of *Frank Magazine* to one of his reporters. One year later, he launched something entirely different: *AllNovaScotia.com*.

A Failing Model

AllNovaScotia.com was the first online-only news site in Halifax. From the start, it was a family affair. Bentley and his daughter, Caroline Wood (who had also been deeply involved in *Frank*), launched it in March 2001. Bentley thought there was a need for better business news in Halifax. He hoped that *AllNovaScotia* would satisfy this unmet demand, much as *Frank* had satisfied a demand for personal gossip. "I just felt like doing something as easily as I could," he

says. “(The business community was) people I already knew.”² He did no market research before the launch and did not query local business people or potential readers about the gaps in existing publications. “Don’t ask them what they want; give them what you think they need,” he says. But after almost a year, subscriptions were weaker than they had hoped. Wood moved back to *Frank* to deal with a crisis, and *AllNovaScotia* halted publication for a re-think.

In 2001, no one knew what would work online; news executives were alternately excited about and afraid of online journalism. Newspapers were not yet in a severe crisis, and broadcast networks were not feeling the pain of fragmentation. Circulation and readership had been slipping at US and Canadian newspapers for years, but it was a steady decline, masked by other factors. Daily newspaper circulation in America at the beginning of the 21st century was 55.6 million, down from 58.3 million in 1960.³ The drop didn’t seem too severe, until one considered that the population was growing. In 1960, 80 percent of all Americans had read a daily newspaper. By 2001, that figure had fallen to just 54 percent.⁴

Another factor cushioned the severity of the decline for some companies: there were fewer newspapers overall. In 1960, the United States had 1,775 daily newspapers. Forty years later, there were nearly 300 fewer.⁵ That meant that each newspaper captured a larger share of the market, so individual titles continued to do well even as the industry as a whole began to wither. In 2000, US newspaper companies expected to earn a 20 percent profit on revenues—a rate equal to some of the highest earning industries on the stock market.⁶ The situation was similar in Canada.⁷

As for broadcast, the impending crisis in journalism barely registered in 2001. More than half of all Americans got their news from television—far more than followed news on any other medium.⁸ CNN had disrupted the network news model two decades earlier, but most companies had adjusted to a new normal. Networks were required to carry news as a condition of their broadcast license, which gave TV news divisions some protection from the imperative to generate profits on the newscast itself. The economic health of news teams depended more on the network’s overall profit than on the newscast’s contribution to that profit.

New century. But the first decade of the new century saw major disruption to the dominant news reporting and business models, and little idea of what would replace it. By 2001, four distinct

² Author’s interview with David Bentley on February 26, 2010, in Halifax, Nova Scotia. All further quotes from Bentley, unless otherwise attributed, are from this interview.

³ “Circulation Volume Report,” *Newspaper Association of America*.

⁴ “Daily Newspaper Trends,” *Newspaper Association of America*.

⁵ “Circulation Volume Report,” *Newspaper Association of America*.

⁶ Valarie Bashada, “She’s So Fine,” *American Journalism Review*, July/August 2001.

⁷ Communications Management Discussion Paper, “Sixty Years of Daily Newspaper Circulation Trends: Canada, United States, United Kingdom,” May 6, 2011.

⁸ Pew Research Center for the People and the Press. “In Changing News Landscape, Even Television is Vulnerable,” June 2012.

genres of online journalism were beginning to emerge: 1) websites hosted by newspapers or television news organizations using content created by their own reporters; 2) amalgamators that gathered links to other sites, such as the Drudge Report; 3) small niche sites with original content geared to tightly defined communities of interests; 4) non-profit sites that used journalism to support a social mission.

Newspapers, network news and cable news stations were well into their experiments with online journalism by the time Bentley launched *ANS* in 2001. Almost all had decided to open their sites to the public free of charge. The lone exception was the *Wall Street Journal*, which erected a so-called paywall and required that readers buy an online subscription to access most news stories, features and commentary.

There were two debates about whether news sites should be open to the public. The first focused on the social value of news in a democracy. Some argued that news organizations had a public duty to share information. The second debate was economic. Many news executives bet that profits would be higher without a paywall than with one. Some publishers were giddy over the potential for online advertising. In 1996, companies in the US alone had spent \$267 million on digital advertising, just a fraction of spending on television, radio and newspaper advertising.⁹ But over the next four years, digital advertising increased 30-fold: in 2000, advertisers spent \$8.2 billion on digital ads.¹⁰

There were two pillars to the traditional media business model. The first was that most revenue came from advertisers, not the audience. Newspapers traditionally earned 80 percent of revenues from advertising, and just 20 percent from subscriptions and single-copy sales. Broadcast networks earned nothing from its over-the-air audience, and only a small amount from cable fees. The second pillar was that advertising rates reflected the size of the audience. The more people saw an ad, the more an advertiser paid for it. Many bet that this principle would carry over to the Internet, with revenues coming mostly from advertisers, and reflecting the size of the audience. Big audiences meant big money; they always had, and most thought they always would. Most were wrong.

Despite the high hopes for an online advertising bonanza, many newspapers in 2001 still struggled with their online news sites and treated the digital product as a secondary spinoff of the printed paper. Few news organizations put star journalists or executives on their web teams; many simply slapped print stories unaltered on the website. Some companies spent considerable time trying to imagine and prepare for the future, but even the best-intentioned couldn't imagine what was coming. David Bentley was among them. As he pondered his first abortive attempt to launch

⁹ Internet Advertising Bureau, "1996 Advertising Revenue Reporting Program Results"

¹⁰ Interactive Advertising Bureau, *Interactive Advertising Bureau (IAB) Reports \$8.2 Billion Online Ad Revenue in the United States for Year 2000*, 2001 Press Release Archive. See: http://www.iab.net/about_the_iab/recent_press_releases/press_release_archive/press_release/4422

an online local news site in Halifax and wondered whether there was any point to a second try, Facebook was three years off, Twitter six years away, and the iPhone seven years from market.

Round Two

Bentley had not given up on his idea of publishing a news site for Halifax leaders, despite the initial problems. He spent the winter talking to local business people and generating interest. He didn't borrow money or solicit investors, but he did secure subscribers in advance. He convinced 20 businesses to buy 10 subscriptions each at a rate of \$20 per subscription. That gave him enough seed money to cover his early costs. He re-launched *AllNovaScotia* in February 2002, promising readers all the news they needed in 10 minutes a day or less. He notes: "The first question people here ask is, 'Who?' The second question is, 'How much?'" He intended those questions to drive *AllNovaScotia* coverage.

At that time, the orthodoxy for online news was that sites should be offered free of charge to the general public and that publishers should build the biggest audience possible to attract lucrative advertising clients. But Bentley was wary of building a business on advertising revenues. He had tried that once with his women's magazine in Ontario, and it had failed. So he ignored the orthodox view and followed his instincts instead. Reflects Bentley:

There is no secret magic formula. I always felt you have to get people to pay for news. There is a feeling that everything has to be free on the Internet, but I don't see how that can work.

Over the next decade, Bentley continued to disregard best practices and emerging trends in online journalism, preferring to bet his company on his own ideas and intellect rather than the advice of so-called experts. *AllNovaScotia* became most remarkable for what it didn't do, rather than what it did. The digital journalism trends the website avoided included:

Traffic. While most online news sites were refining techniques of search engine optimization and, later, social media optimization, *AllNovaScotia* actively hid from search engines and blocked the ability to link to stories from other websites. *AllNovaScotia* was produced with the graphics program Flash™ until 2012, when it switched to HTML5. Search engines couldn't read Flash™, so the content of *AllNovaScotia* stories was invisible. Flash™ content was also difficult to cut and paste into other text formats, which made it hard for readers to share articles through emails or shared documents. Moreover, the public couldn't browse the site; only subscribers could see inside.

Advertising. *AllNovaScotia* eschewed advertising completely in its original business model. Several years in, when it had become an established part of the local media landscape, media buyers for luxury cars, condos, lawyers and accountants began to ask Bentley to sell advertising. Bentley reconfigured the design to create room for advertisers but ignored common rate plans,

which usually charged advertisers according to the number of readers who visited the page or the number of readers who clicked on an ad. *AllNovaScotia* charged advertisers by the day, regardless of how many readers visited the site or clicked through the advertisement.

Collaboration. As the crisis in journalism intensified, news organizations began to collaborate across all areas of their operation. Newsrooms launched joint projects with non-profit organizations, while competing media companies shared printing, distribution and even editorial costs and systems. Bentley bucked the trend of co-operation and collaboration and intensified his emphasis on competition. He cut off subscriptions for local newspaper and television reporters and editors after traditional media followed up on several scoops broken by *AllNovaScotia*. He also banned his own reporters from speaking engagements at the local journalism school and elsewhere for fear that they might inadvertently divulge key business practices to competitors.

Immediacy. One clear advantage of online news over other platforms was its ability to keep an audience updated by the minute. The immediacy of the Internet, from bulletins to live streaming, was unique. In some areas, such as financial news, this translated directly into profit. In other areas, such as emergencies and natural disasters, the timeliness of online news saved lives. Some news organizations staked their reputations on being first with all details of breaking news. *AllNovaScotia*, however, kept to a traditional publishing schedule and virtually ignored the 24-hour news cycle. The site posted its roster of stories at about midnight, Monday through Friday, and a newsletter of headlines went to subscribers by email. *AllNovaScotia* posted a bulletin on its site if a big story broke during the day, but it rarely updated existing stories.

Citizen journalism: The inclusion of the broad populace in the creation and dissemination of journalism promised to change the fundamental structure of the news industry in the 21st century.¹¹ News was moving from a one-way lecture to a complex conversation, a trend that intensified with the development of social media. The trend had significant implications for both the creation of news and the ability to fund it. Editors were excited about the ability to corral multiple eyewitnesses to history in the making, particularly history that was difficult or expensive for professional reporters to find. The potential for replacing content produced by salaried news reporters with content offered free or at very low cost by citizens intrigued some publishers. Most recognized that the interactive nature of the medium changed the experience of journalism online. *AllNovaScotia* completely sidestepped this pivotal development in the fundamental structure of journalism. It relied exclusively on professional journalists to report the news.

Reader engagement. The development of social media, mobile phones and interactive story forms guaranteed that news would no longer be a one-way conversation. While some organizations focused on harvesting the power of citizen journalists, others tried to engage readers

¹¹ Dan Gillmor, *We the Media: Grassroots Journalism By the People, For the People* (O'Reilly Media Inc.; Sebastapol, CA) 2004.

in new ways to build loyalty and interest in their sites. *AllNovaScotia* ignored this trend also. The site didn't even offer a comment field for stories. The sole concession to reader engagement was an invitation to send the company an email if a reader wished to comment.

Multimedia. The Internet sparked a revolution in storytelling techniques. News could be conveyed via the method that best suited the content of the piece. Interactive timelines, data-rich maps, online videos and word clouds were just a few of the new ways to tell stories. Online slideshows were already a well-established story form when *AllNovaScotia* launched in 2001. Bentley ignored all of the new story forms and some of the old ones. Its stories were text only. They were tightly crafted hard news reports of fewer than 500 words. The site gained the ability to post photos when it moved to HTML5 in 2012, but it rarely did so.

Social media. Bentley also ignored social media. As other outlets developed newsroom protocols for Facebook, Twitter and LinkedIn, *AllNovaScotia* refrained from sharing any content outside its own impenetrable paywall.

Metrics. Services and programs such as Google Analytics, Comscore and Omniture gave online publishers powerful new tools to track and analyze their audience. For the first time, editors could see exactly which stories most appealed to readers, how a reader was led to a specific part of a website, and even detailed demographic information about individual readers. The programs also allowed publishers to show advertisers exactly how many readers saw their ads, how many clicked on ads, and even how many of those clicks led to online purchases. For the first eight years of operation, *AllNovaScotia* ignored analytics.

Homegrown Creativity

At a glance, *AllNovaScotia* appeared to be a backwater anomaly, a local news site in a remote corner of North America that managed to generate profits despite its old-fashioned orientation, but Bentley had no hesitation about innovation on the business side. While the site mimicked key features of newspapers, the fundamental design and organizational structure were nothing like the mass circulation dailies of North America. Among the innovations pioneered by *AllNovaScotia* were:

Organizational structure. The traditional organizational structure of a newsroom had been compared to a military organization, with power flowing through well-defined channels from the editor-in-chief or executive producer through sub-editors to reporters. *AllNovaScotia* was different. All reporters worked in the same room. Even Bentley didn't have an office. There were no assignment editors telling reporters what to do; each reporter was responsible for finding and covering the news on his or her own beat. Most news organizations relied on a series of daily news meetings to make editorial decisions and to plan future coverage. Bentley did not believe in

meetings. In 2010, eight years after founding the site, he proudly boasted that there had never been an official meeting within the organization.

Bentley worked closely with new reporters to help them adopt the sparse hard-news style of *AllNovaScotia* stories. As the organization grew, new reporters also worked with a managing editor and several part-time copy editors. Bentley's standards were high, and those who couldn't adjust quickly were let go. Those who stayed were expected to be ahead of the competition on their beat. Journalists who moved from local broadcast outlets or the local broadsheet reported that the *AllNovaScotia* newsroom had a more positive and dynamic ambiance than the organizations they had left.

"Reporters at *AllNovaScotia* had total independence," says Kevin Cox, whom Bentley hired as an editor after Cox left the well-regarded national newspaper, the *Globe and Mail*.

All stories were self-generated. There wasn't that top-down direction. At the *Globe*, you came in each morning and someone told you what to do. At the *Globe*, you were always double-checking with people up the line about what you were doing. There was no hierarchy at *AllNovaScotia* and that made for a completely different mood.¹²

Personnel. Bentley had a good eye for talent. His first reporter hire was Andrew Macdonald, who came on board almost immediately after the site re-launched in 2002. Cox was second. As the site grew, Bentley carefully plucked talent from competitors in the region. He chose both young journalists who showed promise and seasoned veterans who had already developed a strong reputation in the community. He paid his reporters close to the union rate offered by the local broadsheet and also gave them every other Friday off. "We have to pay what the *Herald* pays, more or less," says Bentley. "If you want to get the best, you really can't do anything else."

Most news organizations observed a strict separation between the business and the editorial divisions. The so-called firewall was erected to protect the integrity of editorial operations and to ensure that coverage wasn't compromised by requests from advertisers or other business interests. Bentley modified that division. In a significant departure from traditional news practice, reporters were instructed to sell subscriptions as well as cover the news. But they were also to tell sources that a decision to subscribe would not affect *AllNovaScotia* coverage of their organizations. Reporters were not involved in selling advertising.

Niche strategy. *AllNovaScotia* targeted a specific part of the Halifax market: leaders who made financial decisions. It was not a general interest news site for city residents, nor was it simply a site for business people. Bentley's market was specific and his promise explicit. The website

¹² Author's interview with Kevin Cox on November 21, 2013, in Halifax, Nova Scotia. All further quotes from Cox, unless otherwise attributed, are from this interview.

promised advertisers that the site reached more than 7,000 readers who spent “8-10 minutes every morning” with *ANS* to get information that “helps them control the majority of the province’s public and private budgets.”¹³

Mobile. Bentley eschewed most, but not all, of the technological aspects of the Internet. *AllNovaScotia* was one of the first news sites in Canada that could be easily read on a Blackberry. It continued to update its technology as new smartphones came to market. It was also quick to use adaptive technology that adjusted to viewing platforms (mobile, tablet) without requiring a downloaded application.

Changing Era

By 2013, the economics of journalism in North America had changed profoundly. The introduction of smart phones and social media accelerated the disruption created by the Internet. Once mighty newspaper empires had vanished. Some of the biggest newspapers in North America had gone bankrupt and some of the most fabled had been sold to people with no roots in the news business.¹⁴ In 2001, when Bentley first launched *AllNovaScotia*, more than half of all Americans still read a daily newspaper. By 2013, circulation, readership and revenues had plummeted. Newspapers had lost 10 million daily subscribers in the United States, another 86 titles had shut down, and only four in 10 Americans read a weekday newspaper.¹⁵

More troubling was the financial picture. Circulation had been drifting down for decades, but a sudden drop in advertising revenues threatened to wipe out the industry. The first crisis came when classified advertising migrated to the Internet through services such as Craigslist, Ebay and Kijiji. The second crisis was in display advertising. Hope had faded that digital advertising would fund a bold new era of newsgathering. Although advertising on the Internet grew exponentially, news operations did not benefit much. There were two fundamental reasons: cut-rate pricing and the move to niche advertising. Unlike print and broadcast, which had a limited amount of space and time for ads, the capacity to carry advertising on the Internet was unlimited. That drove down rates.

The second factor was the move to target marketing. Many advertisers preferred specialty sites that guaranteed access to exactly the consumers they sought. Facebook and Google built ad empires on targeting. In 2005, US advertisers still spent more money at newspaper companies than any other media. By 2012, newspapers had dropped below broadcast television, cable television

¹³ *AllNovaScotia.com*, “Connecting the Business Elite.” See: <http://www.allnovascotia.com/index.php?pgget=6>

¹⁴ Major newspapers chains to declare bankruptcy since 2001 include the Tribune Company, Journal Register Company, Sun-Times Media Group, Philadelphia Newspapers LLC, Freedom Communications, Canwest Global Communications Corp. and Quebecor World Inc. More than a dozen US newspapers either shut down or stopped publishing daily in the first decade of the 21st century.

¹⁵ “Circulation Volume Report,” & “Daily Trends Report,” *Newspaper Association of America*.

and the Internet as the preferred choice of advertisers.¹⁶ Newspaper companies lost almost half of their advertising revenue in the first decade of the new century, with combined print and digital advertising revenues falling from \$44.3 billion in 2001 to \$25.8 billion in 2010.¹⁷ No one was talking about digital salvation anymore.

It wasn't just newspapers that were changing. The audiences and revenues of major broadcast networks were bleeding out to specialty channels, few of which focused on news. The same forces that affected display advertising in newspapers affected television advertising: specialty channels and the Internet could help advertisers reach tightly targeted markets at a much lower price than an ad on a major network. The era of fragmentation had arrived.

The economics of journalism in North America had shifted radically. As the promise of digital advertising waned, many newspaper companies flirted with systems that required readers to pay for news online. The *New York Times* and Canada's *Globe and Mail* launched paywalls in 2005 and 2006 respectively, and took them down within two years.¹⁸ The economics of advertising-supported journalism became even worse in 2008. The global economic crisis and subsequent recession devastated advertising budgets and the media that relied on them for survival.

The deepest crisis—and biggest opportunity—seemed to be in local news. If local dailies couldn't afford to cover courts and city hall, how would citizens know about key decisions affecting their communities? Who would keep government accountable? Hundreds, and perhaps thousands, of one-person news operations proliferated across the continent. Some set up sites supported by advertising; others asked for reader contributions or looked to non-profit foundations for funding. Few found a way to sustain their operations financially.

Perhaps the biggest gamble of the decade was Patch, a national network of local news sites launched by Tim Armstrong, then an executive at Google. AOL bought Patch in 2009, shortly after Armstrong became CEO of the media company. Armstrong had a vision for an advertising-supported network of hyperlocal sites that would keep tabs on small communities. Patch used sophisticated analytics to guide editorial development, found economies of scale on web design and service contracts, kept salaries and other costs very low, and still failed to thrive. It adopted all of the best practices ignored by *AllNovaScotia*. It spent hundreds of millions of dollars developing more than 900 local sites. Yet in summer 2013, AOL announced plans to close or restructure half of its operations and eliminate half its staff.¹⁹

¹⁶ Internet Advertising Bureau. "Internet Advertising Report 2012"

¹⁷ "Annual Ad Revenue," *Newspaper Association of America*, Editor and Publisher International Yearbook.

¹⁸ The *New York Times* reinstated a "metered" paywall in 2011.

¹⁹ "Deep Cuts at Patch, AOL's Local News Sites," *New York Times*, August 16, 2013.

Exception to Rule

As other sites struggled and failed, *AllNovaScotia* continued to grow. Its growth, like its design, did not fit the pattern of the era. Many local news sites built technologically complex websites and hired fulltime staff on the assumption that audiences and revenues would follow. When early assumptions proved wrong, many of those sites chased audiences by changing their editorial focus or their revenue streams. Bentley remained focused on his initial promise of providing a quick read of essential local news to leaders in the public and private sectors. Bentley did not borrow money or take on investors to fuel growth. Instead he reinvested his profits in the business, hiring more staff and tweaking the web design only after new subscribers signed up, not before. “This always had to be a conventional business from the beginning,” Bentley says. “We didn’t borrow any money to start and it doesn’t owe any now.”

AllNovaScotia covered most major issues of public policy, not just business news. It had reporters at city hall and the provincial legislature. It also included two key service features absent from other local media: a daily roundup of government tenders and a list of civil court actions. A subscription to the site cost \$30 a month; each subscription came with three usernames and could be used by up to three people. Bentley refused to discuss his revenues in public, or any details of his business model, but it was clear that many subscriptions were sold to companies, not individuals. *AllNovaScotia* quickly developed a reputation for tightly policing its paywall. If it suspected unfairly shared login information, it automatically cancelled the account. A subscription to *AllNovaScotia* became a common perquisite of the professional class.

Bentley steadily hired more reporters, upgraded the design of the website, and in 2010 moved the operation out of the scruffy offices near *Frank Magazine* above the Bluenose II Restaurant. A decade after its launch, the site was a robust part of the Halifax press corps. *AllNovaScotia* regularly scooped local newspapers and television newsrooms and was fully recognized as an important player by the governing elite of the city. For example, a 2011 debate in the provincial legislature revolved around business objections to pending labor legislation that surfaced first in *AllNovaScotia*.²⁰ Two years later, *AllNovaScotia* reporter Brian Flinn was singled out for special attention in the House of Assembly when the then-premier, Darrell Dexter, introduced a special resolution suggesting that Flinn name his newborn boy Darrell.²¹ Clearly *AllNovaScotia* was not considered a marginal player.

By 2013, *AllNovaScotia* was flourishing, even though many other hyperlocal news sites in North America had failed. The site had 7,400 subscribers, each paying between \$10 (shared subscription) and \$30 a month, and a robust advertising clientele that provided 25 percent of total

²⁰ Hansard, *Debates and Proceedings of the House of Assembly of Nova Scotia*, December 9, 2011. See: http://nslegislature.ca/index.php/proceedings/hansard/C81/house_11dec09/

²¹ Hansard, *Debates and Proceedings of the House of Assembly of Nova Scotia*, , April 5, 2013. See: http://nslegislature.ca/index.php/proceedings/hansard/C90/house_13apr05/

revenues.²² It had 11 fulltime reporters including Bentley, a fulltime editor and several part-time copy editors. It was also fulfilling its promise to be a family affair and had three generations on the payroll. Wood had returned several years earlier as fulltime publisher. She supervised an advertising salesperson, a developer and a subscription coordinator, a position filled by her own daughter, Sophie Wood. Bentley's grandson also worked part-time at the business. The news site was well respected and influential, a must-read for anyone in a leadership position in Nova Scotia.

Concerned. Still, Bentley was uneasy. He was concerned about creeping competition, and concerned that the site no longer delivered what he had long promised readers: a concise summary of local news to guide their day. Many stories were still shorter than 500 words, but many weren't. With 11 fulltime reporters, the site usually carried more than 25 stories a day. No one could read it all in the promised "8-10 minutes."

Just as concerning was that the rest of the world seemed to be catching up to the basic simplicity of his system. Canadian media were rushing to the paywall model. By the end of 2013, some 80 percent of all newspapers in the country would be behind a paywall. The preeminent provincial daily had started a business-themed newsletter that was a direct challenge to *AllNovaScotia*. Readers of the *Halifax Chronicle Herald* could sign up for the newsletter that mimicked the offering put out by Bentley's crew. Torstar Inc., one of the largest media companies in Canada, had launched two local business news sites in Ontario that seemed to be a direct copy of the *AllNovaScotia* model.

Market

Most had come to believe that tightly targeted sites appealing to a niche market were better equipped to survive online than mass media offerings. Perhaps most concerning was that *AllNovaScotia* was no longer being dismissed as the oddball outlier of the new genre. It had been the subject of several academic papers. In early 2012, the influential Nieman Journalism Lab featured *AllNovaScotia* in a glowing article. Bentley was very competitive. He had no interest in sharing the secrets of his success with his competitors or potential copycats. If anyone was going to profit from the *AllNovaScotia* experience, it should be those who built it. He sensed that it was time for *AllNovaScotia* to grow or change, but how?

As Bentley pondered the future of *AllNovaScotia*, he wondered if there was something different about the Halifax market. "The Maritimes is unique because it is a very homogenous place," he says. "They want to read about other people, especially those they know. There are a lot of connections." Still, why did he succeed when so many others had failed? Halifax had long been the hub of Atlantic Canada, a region composed of four coastal provinces: New Brunswick, Prince Edward Island, Nova Scotia and the province of Newfoundland and Labrador. There were 2.3

²² *AllNovaScotia.com*, "News Team Buys Into AllNovaScotia.com," June 23, 2013.

million people in the four provinces. For centuries, the regional economy had centered on fish and forests, but that was changing with the development of offshore oil in Newfoundland and offshore gas in Nova Scotia. The region was poorer than other parts of Canada, more rural and less transient. It wasn't unusual in Atlantic Canada to find families who had lived on the same property for generations, and tradition was important to the culture and economy in all four provinces. Several powerful families controlled large segments of the economy.

Halifax had always defied the stereotype of the region, often posting lower unemployment rates and higher household incomes than the national average. It was a small, historic city with five universities, a sprawling community college and roughly 400,000 residents. It had a vibrant art scene focused on the country's oldest art college and a strong tourism sector that drew visitors from the United States, Europe and across Canada. It was home to a large navy base, an air force base, an army base, two busy container terminals, a cruise ship terminal and a small fishing fleet. The federal government had recently awarded the local shipyard a contract worth more than \$20 billion. The work promised to create high-paying jobs for the next two decades.

Bentley also suspected that *AllNovaScotia* had unusually weak competition. Halifax had one daily broadsheet and one daily tabloid. The broadsheet, the *Chronicle Herald*, had a reputation for being dull and cautious. The long-time owner had died recently and his daughter had taken over as publisher. She seemed to be reinvigorating the paper, but it was unclear if the crusading new spirit would last. The paper's website was poorly organized and had recently gone behind a paywall. The local tabloid was part of the *Metro* chain of free commuter papers. It had a skeletal local staff and didn't cover any local business news. There was also a vibrant alternative weekly, *The Coast*, that was very popular across the city, and a non-profit, *Halifax Media Co-op*, that was popular mostly with students. There were three broadcast networks with Halifax newsrooms. Two regional magazines focused on business news.

Options

In 2013, speculation about the future of *AllNovaScotia* was a favorite topic among local journalists, political leaders and business people. Many had expected Bentley to sell *AllNovaScotia* years before and were surprised to see him hanging on. A few realized how rare it was to have a profitable hyperlocal site. Conversations about the future of the site tended to focus on five options open to Bentley: 1) add multimedia to the site and expand its market to the general public; 2) launch the model in other Canadian cities; 3) split the Halifax site into separate publications defined by industry; 4) develop ancillary products; 5) sell *AllNovaScotia*.

Multimedia. Bentley had never seriously considered revamping *AllNovaScotia* to include multimedia, but sophisticated smartphones and software now made multimedia production relatively easy. It would not require a big investment in hardware or site design. Many stories could be told in a more profound way with visuals than with just words. Still, every time he

considered adding photos, video or other multimedia elements, he came to the same conclusion: it would work against the fundamental promise to his readers and it might lead readers away from the site. Bentley had promised *AllNovaScotia* readers brevity and depth. The site was valuable because it was concise. A busy executive or bureaucrat could learn what he or she needed to know in less than the time it took to buy and drink a cup of coffee. Multimedia elements would enhance, but also lengthen, the *AllNovaScotia* experience.

There was a second reason for his reluctance: producing multimedia would distract his reporters from getting information. He worried that if they spent time shooting video, taking pictures and setting up interactive graphics, they would have less time to run down leads and track down stories. If separate staff created the multimedia, his reporters would lose the sense of ownership and responsibility that they had for their own stories and beats.

Kevin Cox had argued with Bentley about the lack of multimedia on the site. Cox wanted stories to link to original documents and carry sound files and videos of events. For example, he wanted a court case to include a link to the court file, and coverage of a speech to include a link to an audio file with the full speech. "That's simply an aid to our readers, a service, but Bentley didn't see it that way," says Cox. "He worried that if a reader clicked through to a court document that they would stay there and wouldn't come back to the site."

Some thought Bentley was missing an opportunity to become the dominant news provider for the region. *AllNovaScotia* had inspired other local newsrooms to be a little more aggressive in their coverage of business and political news. The site already employed more reporters than the local television stations, and it rivaled the large daily paper for the number of journalists it had available to cover hard news. Some thought that with a slight broadening of focus, *AllNovaScotia* could appeal to the general public and become the news agency of record for the province. To do that, it would have to include rural and community news, it would need to subscribe to a wire service and it would have to have a visually appealing website that told stories in the ways the public had come to expect, with video, photos, graphics and social media.

Multimedia also offered potential for additional revenue. Advertisers would be delighted if *AllNovaScotia* included video stories. Advertisers in general paid far more to run a video ad before a news video than *AllNovaScotia* advertisers paid to be on the site now. The all-text formula had worked well for a decade, but what if Bentley's critics were right? He wondered if it was time to rethink his rejection of the mass-media, multimedia model for *AllNovaScotia*.

National expansion. Then there was the expansion option. If *AllNovaScotia* worked in Halifax, why wouldn't it work in other North American cities? Many of Bentley's boosters urged him to either franchise the model to other mid-size cities in Canada, or enlist investors to launch a multi-city expansion on his own.

Again, Bentley wasn't so sure. He wondered why his model hadn't been copied successfully elsewhere already. It wasn't as if *AllNovaScotia* was a secret, yet only one company had tried to duplicate his success, and it had failed. Torstar Inc., one of the largest media companies in Canada, launched two local business sites in Ontario: *YourMississaugabiz.com* and *YourHamiltonbiz.com*. Like *AllNovaScotia*, the sites were both set up behind hard paywalls with subscription fees of roughly \$30 a month. Both sites focused on local business and politics in mid-size cities in Ontario. They were set up at the end of 2012 and the beginning of 2013, and both folded within a year.

Despite the obvious comparisons to *AllNovaScotia*, Torstar had missed a few key aspects of Bentley's model. For one thing, the company didn't hire journalists who already knew the community; much of the staff had few ties—and fewer sources—in the towns they covered. Second, he doubted that Torstar had duplicated the flat management structure of *AllNovaScotia*, a structure that encouraged reporters to take ownership of their beats and stay ahead of their competitors. Third, each site hired a full staff all at once, instead of growing staff slowly as revenues justified new hires. Finally, Bentley noted that the two Torstar sites lacked the service features that were a key element of the *AllNovaScotia* site: a daily list of tenders sought and awarded by local, provincial and federal levels of government and a daily list of new lawsuits filed in provincial courts. Maybe the Torstar experiment wasn't a good test of the potential to clone *AllNovaScotia* in other cities.

Verticals. *AllNovaScotia* appeared to be an ideal candidate for further specialization. Bentley already worried that the site had too many stories and took far more than the promised 10 minutes to read. No one outside the organization knew how much *AllNovaScotia* relied on corporate subscriptions versus subscriptions from individual readers. But one thing was clear: the site had become essential to the professional lives of most of its readers. The site appealed to professionals across industries and in the public sector. Teachers, doctors, lawyers, top bureaucrats, chief executive officers and politicians all relied on it. Leaders in the shipbuilding industry, higher education, manufacturing, fisheries and public service were subscribers. The problem was that the site was now too big to serve all of those readers quickly. Instead of offering a lean diet of essential news, it had become a smorgasbord of stories that busy readers sampled. No one read it all every morning.

Was there an opportunity to follow the example of *Politico* in the US and supplement or divide the site into discreet subject areas? *Politico* had started as a website for political insiders in Washington DC, then branched out to develop expensive in-depth newsletters and research for specific industries, particularly lobbyists. The *Toronto Star* had done something similar, developing a high-priced business-focused newsletter about the Ontario legislature. Was there room to do that in Nova Scotia? If so, would the site need to expand to cover specific industries across all of Atlantic Canada? If so, which ones?

Ancillary products. Many journalism outlets and media companies had branched out to develop new divisions that extended their brand into products and services other than journalism. Canada's *Globe and Mail* had tried to leverage its wealthy, well-educated audience by starting a wine club that delivered choice bottles to the homes of affluent subscribers. The *Globe and Mail* had also launched a luxury cruise through Europe, promising readers meetings with prominent writers and editors of the paper. Unfortunately, neither of those ventures had produced much profit. Many publications had started running events, particularly conferences and fairs connected to their subject areas.²³

Many successful online sites were also in the events management business, including the *Texas Tribune*, British Columbia's eclectic online magazine, the *Tyee*, and *Politico*. Some charged admission, others garnered sponsorships from those who wanted to reach the event audience, and some earned revenues by charging companies to present materials during the conference. Other publications leveraged their journalism skills, rather than their subject-area expertise. The *Sacramento Press* launched a consulting division to help local businesses with social media. The *Tyee* offered skills workshops in journalism techniques.

Bentley wondered if he should branch out. Would *AllNovaScotia* customers come to an event about Atlantic Canadian businesses? Would they be interested in seminars on regional health policy, fisheries management or best practices in online journalism? *AllNovaScotia* had succeeded because he had stayed ruthlessly focused on hard news useful to leaders in Halifax. Was it time to abandon that focus?

Sell. Bentley knew that many people had expected him to sell *AllNovaScotia* long ago. He had sold the *Daily News* when it was thriving, and had sold *Frank Magazine* too. Although the deals helped his retirement account, he was not pleased with how they had turned out. The *Daily News* folded in 2008. The Ottawa version of *Frank* withered after Bentley left, as did the Halifax version. Why didn't his media companies survive beyond his tenure? Was there something about his personal stewardship of a newsroom or a publishing suite that he was missing? *AllNovaScotia* was his legacy to his family and to his adopted province. He wanted to profit from the organization he had built, but he also wanted it to thrive long after he was gone. Was selling the best answer?

Bentley wondered if he was missing something. These were the five options that others discussed, but he had built *AllNovaScotia*'s success by ignoring the accepted wisdom of his colleagues and peers. Surely there was something he hadn't considered. The decision was not his alone. His daughter, Caroline Wood, owned half the company and had been involved from the very beginning. What did she think? What should they do?

²³ Ken Doctor, "The Newsonomics of Selling More Stuff," *Nieman Journalism Lab*, September 26, 2013. See: <http://www.niemanlab.org/2013/09/the-newsonomics-of-selling-more-things/>.

Appendix 1

Economic Data, Nova Scotia (all in Canadian dollars)

Defense. Employees: In 2011, there were 10, 740 military personnel in Nova Scotia.²⁴

Economic Contribution: The Aerospace & Defence Industries Association of Nova Scotia (ADIANS), a not-for-profit corporation, reported that \$1 billion annually came from military spending; that Aerospace & Defence employed 6,000 people in the province; and that these industries, combined with Department of National Defence, accounted for over 6 percent of provincial GDP.²⁵

Direct spending/revenues: In 2011, the earnings of Nova Scotia military personnel totaled \$718, 847,000²⁶.

Education (post-secondary). Employees: In 2011, there were 36, 952 employees in education-related fields.²⁷ In 1997-98, post-secondary education institutions employed 11,910 people in Nova Scotia, had total expenditure of \$486,756,000 (almost 2.5% of GDP) and paid a total of \$317,756,000 in wages. In 2011, Nova Scotian post-secondary education employed 12,994 people, totaling \$700,963,000 in salaries.²⁸

Economic Contribution: In 2011, employees in education-related fields (elementary, secondary and post-secondary) earned on average \$846.46/week.²⁹

Direct spending/revenues: The total revenue of universities and colleges in Nova Scotia was \$1,189,594,000 in 2009, and total spending was \$1,173,312,000.³⁰

²⁴ "Military personnel and pay," *Statistics Canada*, <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/govt16a-eng.htm>.

²⁵ "About Us," The Aerospace & Defence Industries Association of Nova Scotia. See: <http://www.aiac.ca/en/member.aspx?id=976>.

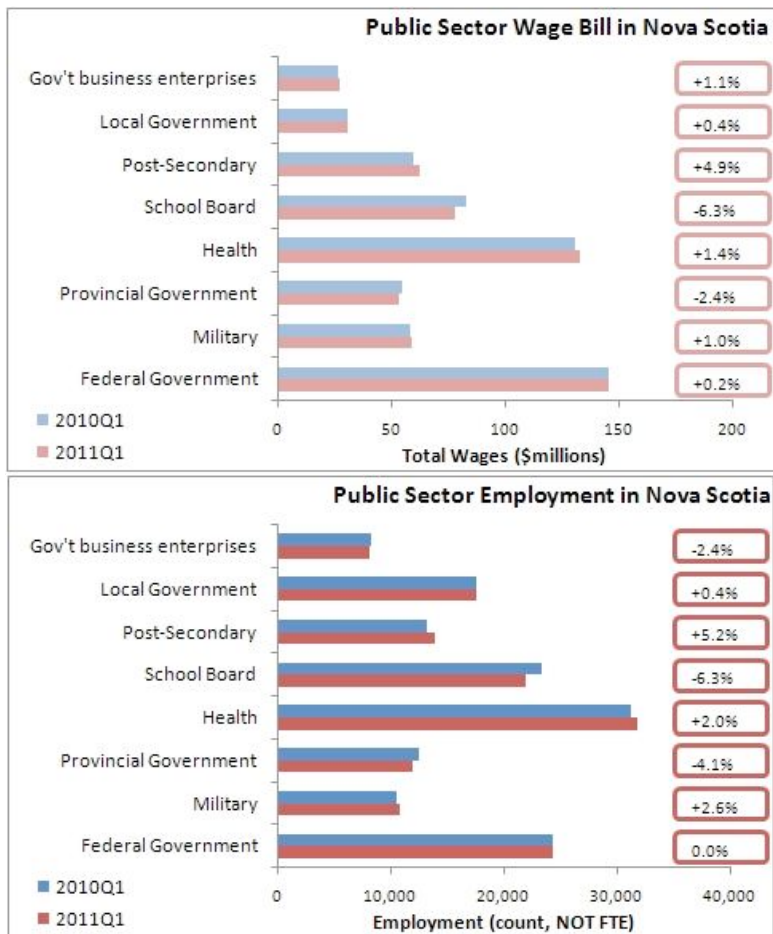
²⁶ "Military personnel and pay," *Statistics Canada*. See: <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/govt16a-eng.htm>.

²⁷ "Employment, educational and related services, by province and territory," *Statistics Canada*. See: <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/educ04-eng.htm>.

²⁸ Public sector employment, wages and salaries, by province and territory," *Statistics Canada*. See: <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/govt62b-eng.htm>.

²⁹ "Average weekly earnings (including overtime), educational and related services, by province and territory," *Statistics Canada*. See: <http://www.statcan.gc.ca/tables-tableaux/sumson/l01/cst01/educ05-eng.htm>.

³⁰ "Universities and colleges revenue and expenditures, by province and territory," *Statistics Canada*. See: <http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/govt41a-eng.htm>.



Source: *Statistics Canada*

http://www.gov.ns.ca/finance/statistics/archive_news.asp?id=6832&ym=3.

Nova Scotia Gross Domestic Product (in millions)			
North American Industry Classification System (NAICS)	2007	2008	
All industries [T001] (3)	\$31,056	\$32,640	29
Goods-producing industries [T002] (4)	\$6,901	\$7,374	1
Service-producing industries [T003] (5)	\$24,155	\$25,266	68
Industrial production [T010] (6)	\$4,802	\$5,148	4
Non-durable manufacturing industries [T011] (7)	\$1,700	\$1,670	1
Durable manufacturing industries [T012] (8)	\$944	\$961	
Information and communication technology sector [T013] (9)	\$1,265	\$1,327	4
Energy sector [T016] (12)	\$2,111	\$2,534	6
Agriculture, forestry, fishing and hunting [11]	\$673	\$680	
Mining, quarrying, and oil and gas extraction [21]	\$1,343	\$1,744	
Utilities [22]	\$717	\$671	
Construction [23]	\$1,524	\$1,649	1
Manufacturing [31-33]	\$2,644	\$2,631	4
Wholesale trade [41]	\$1,329	\$1,369	0

Retail trade [44-45]	3	\$2,13	3	\$2,18	4
Transportation and warehousing [48-49]	0	\$1,11	6	\$1,13	0
Information and cultural industries [51]	4	\$1,10	6	\$1,11	3
Finance and insurance [52]	1	\$1,80	0	\$1,88	9
Real estate and rental and leasing [53]	6	\$4,31	7	\$4,53	6
Professional, scientific and technical services [54]	3	\$1,23	4	\$1,27	0
Management of companies and enterprises [55]		\$136		\$148	
Administrative and support, waste management and remediation services [56]		\$736		\$737	
Educational services [61]	5	\$2,01	7	\$2,11	8
Health care and social assistance [62]	4	\$2,77	4	\$2,97	3
Arts, entertainment and recreation [71]		\$183		\$184	
Accommodation and food services [72]		\$732		\$775	
Other services (except public administration) [81]		\$651		\$691	
Public administration [91]	4	\$3,90	5	\$4,14	4

Source: Statistics Canada Table 379-0030

Nova Scotia Employment by North America Industry Classification, seasonally adjusted, persons x 1,000

North American Industry Classification System (NAICS)	August 2013	%
Total employed, all industries	456.4	100.00%
Goods-producing sector	88	19.30%
Agriculture	4.7	1.00%
Forestry, fishing, mining, quarrying, oil and gas	11.7	2.60%
Utilities	4.9	1.10%
Construction	35.2	7.70%
Manufacturing	31.5	6.90%
Services-producing sector	368.4	80.70%
Trade	72.7	15.90%
Transportation and warehousing	18.2	4.00%
Finance, insurance, real estate and leasing	23.1	5.10%
Professional, scientific and technical services	28.3	6.20%
Business, building and other support services	23.6	5.20%

		%
Educational services	36.4	8.00 %
Health care and social assistance	67.9	14.9 0%
Information, culture and recreation	20	4.40 %
Accommodation and food services	30.6	6.70 %
Other services	19.6	4.30 %
Public administration	27.9	6.10 %

Statistics Canada Labour Force Survey Table 282-0088

Select statistics: four provinces of Atlantic Canada

	Nova Scotia	New Brunswick	Prince Edward Island	Newfoun dland & Labrador
Population in 2013	921,727	751,171	140,204	514,536
Median age	43.7	43.7	42.8	44
GDP 2011 (x.millions)	35,424	28,922	4,876	28,912

Population with earnings who worked full-year, full-time in 2010 5	Halifax (CMA)		Nova Scotia	Canada
	number	median earnings (\$)	median earnings (\$)	median earnings (\$)
Retail and wholesale trade managers	3,560	44,009	39,509	42,697
Retail salespersons	3,380	27,172	26,633	30,249
Non-commissioned ranks of the Canadian Forces	3,225	68,161	66,782	61,714

Source: Statistics Canada Focus on Geography Series

Total income	Halifax (CMA)	Nova Scotia	Canada
Population 15 years and over by total income (count)	325,050	768,060	27,259,525
Without income or less than \$27,815 (%)	46.9	52.6	50.0
Without income or less than \$12,025 (%)	23.8	25.5	25.0
\$12,025 to \$27,814 (%)	23.1	27.2	25.0
\$27,815 and over (%)	53.1	47.4	50.0
\$27,815 to \$51,304 (%)	26.2	26.2	25.0
\$51,305 and over (%)	26.9	21.1	25.0
\$80,420 and over (top 10 percent) (%)	9.6	6.7	10.0
\$102,305 and over (top 5 percent) (%)	4.4	3.0	5.0
\$191,150 and over (top 1 percent) (%)	0.7	0.5	1.0

Source: Statistics Canada Focus on Geography Series (2010 data)