

EBBS AND FLOES:
THE WALRUS FOUNDATION MODEL
AS FLOTATION DEVICE

by

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ABSTRACT

This report analyzes the position The Walrus assumes as a charitable organization in a climate that presents many financial challenges to general-interest magazines in Canada. Through a case study of a recently launched digital project, The Walrus Laughs, the report examines how The Walrus supports itself financially in the current climate and in the context of the "digital shift," with consideration given to current federal and provincial supports. From an understanding of The Walrus's history and foundation model, it explores the rationale behind a project like The Walrus Laughs, in terms of sponsorship opportunities, digital and editorial strategies, along with recognition of the implications of The Walrus Foundation's charitable status. It looks at how and why The Walrus gets a project like this off the ground, where the challenges lie, and how they can be addressed in the future. Finally, the challenges of this model and projects of this nature are analyzed in a forward-looking context.

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INTRODUCTION

In 2005, after almost 120 years in publication and multiple near-death experiences, Canada's oldest general-interest magazine folded once and for all. Saturday Night didn't exactly go out on a high note and instead stumbled into obscurity, leaving a lot of people wondering if this sparsely populated country of ours could ever support a national general-interest magazine. If the grandfather of such a thing could not do it, who could? A month after Saturday Night announced its indefinite "hiatus," a wobbly two-year-old magazine was granted charitable status by the Government of Canada and lumbered into the nearly empty general-interest category with high hopes and enough tenacity to feed, well, a walrus.

The shaky climate that *The Walrus* was born into has not exactly improved over the years, yet in the magazine's relatively short lifespan, it has paved the way for alternative approaches to survival in the Canadian magazine industry. By seeking charitable status and implementing a foundation-based business model, *The Walrus* and its foundation, The Walrus Foundation, have charted new territory previously inhabited by organizations like hospitals, arts groups, and community builders. The journey has not been without its hiccups, or its naysayers, but six years later *The Walrus* still floats.

Note: What to Call a Walrus

Throughout this report I refer to The Walrus as the embodiment of the entire organization, which encompasses both the magazine and the foundation. I use *The Walrus*, in italics, when referring to the magazine publication alone, and The Walrus Foundation when referring to that particular branch of the organization.

CHAPTER ONE

GENERAL-INTEREST MAGAZINES IN CANADA

1.1 HISTORY OF THE WALRUS

The Walrus was launched in 2003 by David Berlin, former editor of the *Literary Review of Canada*, and Ken Alexander, a former high school teacher and television producer. They shared the belief that Canada needed a strong general-interest magazine along the lines of *Harper's* and *The New Yorker*. The magazine received an initial cash infusion from the Chawkers Foundation, run by relatives of Alexander, which was intended to keep the *The Walrus* afloat until it got the hang of its flippers and was able to secure charitable status. The magazine was launched with much fanfare and an initial print-run of 50,000 copies.¹ Demand was high and by June 2004, the magazine's audited subscription base reached 41,000.² The first two issues, and the only ones published in 2003, received eleven National Magazine Award nominations and won three gold awards. As far as Canadian magazine launches go, this one was a success.

Berlin and Alexander launched the magazine as a Canadian response to magazines like *Harper's*, *The New Yorker*, and *The Atlantic* — general-interest magazines with solid readership in Canada but lacking a Canadian perspective. At first, Berlin and Alexander met with *Harper's* editor Lewis Lapham to discuss a split-run Canadian edition of his magazine, which would include an insert of Canadian material. “But in the end, both Alexander and Berlin concluded that such an arrangement would send a confusing message about what *The Walrus* was; the magazine would have to rise or fall on the strength of its own editorial content.”³

And so a stand-alone *Walrus* was born. Its format remains largely the same today with a feature well of high-quality long-form journalism and essay on topics around politics, society, culture, business, and technology, bookended by shorter non-fiction dispatches, humour pieces, and at least one piece of fiction per issue. Elegant design, photography, and illustration tie it together. *The Walrus* set out to provide the

Canadian perspective on international and domestic issues, with the intention of encouraging debate and discussion on topics of importance to Canadians.

It was not a seamless launch. From day one, *The Walrus* had its fair share of in-house drama. The magazine launched with Alexander in the publisher's chair and Bernard Schiff (a university professor) as associate publisher — an interesting set-up considering their collective lack of publishing experience. They hired experienced staff but rifts developed as the inexperienced leaders tried to steer the experienced team.⁴ Within the first year of publication, almost all of the original staff left.⁵ Berlin left after only three issues, stating health reasons, but reportedly also claiming interference from Chawkers Foundation.⁶ Paul Wilson replaced Berlin and left after two issues. Then Alexander transitioned from publisher to editor, working as both from 2004 to 2005, and as editor in 2006. “*Walrus* watchers have remarked that the departures of seasoned veterans from the magazine suggests a clash between the ‘professional’ magaziners and Alexander, a relative neophyte whose background is teaching and broadcasting.”⁷ Schiff took over the publisher role in 2006 and left shortly thereafter to be replaced by current publisher Shelley Ambrose.⁸ Around the same time, many of The Walrus Foundation's board members left as well. Things were not stable.

In June 2008, Alexander resigned. At five years old, *The Walrus* was without its founding parents. Rumours abound that Alexander's inexperienced heavy-handedness in the running of the magazine was cause for much of the magazine's high staff turnover rate during its early days, but there's no denying he played a significant role in positioning *The Walrus* as a success five years after it was born.⁹ In 2008, John Macfarlane, then recently retired editor of *Toronto Life* and once publisher of *Saturday Night*, took over as editor, initially on an interim basis but has been there ever since.¹⁰

Despite the inner turmoil, the magazine has cleaned up at the National Magazine Awards every year of its life, so clearly the staff changes didn't greatly affect the quality of the publication, likely due in part to the magazine's relatively high pay rate (\$2.50/word in its early years), its lack of competition, and its growing stable of

reputable writers. From 2003 to 2010, *The Walrus* took home fifty-three gold medals and twenty-seven silvers, was named Magazine of the Year for 2006, and this year received more nominations and took home more gold awards than any other Canadian magazine.¹¹

1.2 THE CHALLENGES OF GENERAL INTEREST IN CANADA

Despite *The Walrus*'s apparent success, the challenges persist because it is operating in a category in which it is especially difficult to survive off the traditional magazine revenue streams — advertising and/or circulation — as evidenced, in part, by the demise of Canada's longest running general-interest magazine, *Saturday Night*.

When *The Walrus* was launched, *Saturday Night* was still alive and had been since 1887, though it reportedly had not made money in the previous forty years.¹² After a rapid succession of ownership changes, it died in 2005, in the hands of St. Joseph Media as a controlled-circulation, advertising-driven magazine. What happened?

Many attribute the eventual failure of *Saturday Night* to an inappropriate business model.¹³ In its final days, *Saturday Night* was distributed as a free insert in *The National Post*, and so did not have subscriber or newsstand revenues and relied entirely on advertising dollars — not an unusual practice in the consumer magazine world.

"[Magazines'] regular, periodic publication, their specializations, their ability to provide readers with exposure to a variety of writers, and their advertiser-funded ability to provide high-quality editorial content complemented by attractive graphics for a low price all give them a significant power to build a community through loyal subscribers and purchasers."¹⁴

That is the traditional way of doing things and *Saturday Night*'s advertising-fuelled, controlled-circulation model is feasible for many consumer-driven magazines but it is very difficult to sustain in the general-interest category. Consumer and special-interest magazines, particularly those attached to a specific geographic region, attract advertisers because their editorial mix attracts a clearly defined demographic more

interested in consuming the products and services that advertisers in those magazines want to sell. And while advertising¹⁵ and circulation¹⁶ revenues are in flux for magazines across categories, these challenges are particularly difficult for a magazine that works in the business of ideas, which has a harder time attracting those advertisers because its subject matter caters to a psychographic, which is more difficult to identify, understand, and therefore sell to than a clear demographic. Purchasing ad space in *The Walrus*, then, is less attractive to advertisers who are already wary of their expenditures.

According to Macfarlane (who served as *Saturday Night*'s publisher from 1980 to 1987), the staff at *Saturday Night* went wrong when they made growing circulation their ultimate priority (which, as the thinking went, would attract advertisers), because a magazine of that nature simply could not attract the size of readership it was aiming for.

If you think of publication markets as a triangle, then the publications at the bottom of the triangle — like the *Toronto Sun* — are fishing in a much larger pool than a magazine like *The Walrus*, which is right up at the top. In other words, we've aimed the magazine at a part of the market where there aren't very many people, and there already aren't very many people in Canada. [As publisher of *Saturday Night*] I didn't understand what the founders of *The Walrus* understood [about the market] by the time they got around to it, which is that no matter how hard we worked, no matter how successful we were selling advertising, no matter how successful we were creating the magazine, as long as we were aiming at that tiny part of the market, we were never going to be able to attract enough readers to attract enough advertisers to make it viable."¹⁷

Macfarlane is referring, in part, to the fact that general-interest magazines in Canada cannot expect to benefit from the same audience size that supports similar magazines in the United States. Even *Harper's* and *The Atlantic* are heavily subsidized by donors to fill in where subscriber and advertising revenue cannot, and they have a population ten times the size of Canada's. Macfarlane is well aware of these challenges:

In Canada, which is a tiny, tiny country, the challenge is much bigger — because if you attract one per cent of the American reading public, you've got a huge audience. If you attract one per cent of the Canadian reading public [...] you haven't got a lot of people. Proportionally, it's not a lot of people. [...] *Harper's*, *The Atlantic*, and *The New Yorker*: they are three magazines that in a country of 350 million people, struggle. *Harper's*, which is 150 years old or something, has around 200,000 paid circulation in the United States. We have 60,000 paid

circulation in a country a fraction of that size, so we're really punching above our weight, as did *Saturday Night*.¹⁸

Despite punching above its weight in terms of penetration of the target market, *Saturday Night* folded. It was unable to sustain its operations by means of earned advertising and circulation revenue, despite having executed a number of business models built around these revenue streams.

That said, a readership of 60,000 is no small feat in the Canadian publishing industry. Plenty of magazines survive with a much smaller readership. Those magazines typically differ in many respects, however. 1) They may not be in the same general-interest category as *The Walrus* and *Saturday Night* and so do not experience the same challenges as outlined above. 2) Even if they are in the same category (and there are few in Canada in the same category), they likely do not have the same costs associated with their operations. A magazine with a smaller readership has far lower production and distribution costs thanks to smaller print runs, fewer staff, and fewer contributors. *This* magazine, for example, which could be argued to be in the same category as *The Walrus* in terms of its socially aware content and national reach, has a very different cost structure. *This* has a readership of approximately 5,000¹⁹ (while *The Walrus* has a readership of 60,000). *This* comes out six times a year (*The Walrus*, ten). *This* pays its writers about ten cents per word²⁰ (ten times less than what *The Walrus* pays). The editor of *This*, one of its two full-time staff earns four times less²¹ than *The Walrus*'s editor-in-chief,²² who is one of five full-time editors (and at least twelve full-time staff). Meanwhile an annual subscription to *This* is only \$2 less than one to *The Walrus*, which includes four more issues per year. *This*, like *The Walrus*, has also established a fundraising foundation to help support itself.

The point here is not whether a magazine with a small readership can survive, but that a magazine that sets out to do what *The Walrus* wants to do and be — a nationally distributed, ten-times annually, glossy magazine featuring the long-form, research-intensive work by professional writers — cannot sustain itself on the kind of readership

it can generate, if it relies solely on the traditional advertising/circulation model. *The Walrus*'s potential readership is a) too small to sustain the production and distribution of a nationally and ten-times-annually magazine on circulation revenue alone (as will be illustrated further in chapter 2), and b) too diffused in terms of demographics to attract the necessary advertising revenue that might sufficiently supplement circulation revenue.

This does not suggest that a general-interest magazine cannot survive in Canada. It simply shows that an alternative approach to survival may be more appropriate considering the challenges.

1.3 **THE WALRUS & THE GENERAL-INTEREST CATEGORY**

According to Magazines Canada's *Consumer Magazine Fact Book 2011*, the general-interest category is the most read in Canada²³ — likely skewed a great deal by the high circulation of *Maclean's* magazine. Traditionally, special-interest magazines like *Chatelaine*, *Canadian Living*, and *Canadian House & Home* occupy the upper ranks of that category. It is clear, then, that the term “general interest” does not represent a clearly defined category of publication.

As such and for the purpose of this report, the term “general-interest” herein refers to the niche under that umbrella that *The Walrus* occupies. That is, as outlined above: a nationally distributed, monthly or bimonthly magazine featuring long-form, research-intensive work by professional writers on topics dealing with society, culture, the arts, technology, and business.

Canadians need their own general-interest magazines like *The Walrus*, because while similar magazines from the US do similar work, they focus on American topics. When it comes to many special-interest magazines (i.e. beauty magazines), those interests are

not necessarily defined by borders, whereas the social and political interests in a magazine like *The Walrus* or *Saturday Night* more often are.

Given that Canada's population is ten per cent that of the US, the inevitable subordination of Canadian interests to US interests is easy to predict. While that is not so bad in magazines about water skiing, in those dedicated to social and political matters few Canadians would be happy seeing only one-tenth of the space available devoted to a discussion of Canadian issues. The inevitable shaping of Canadian opinion by American magazines has led to a national social policy concern surrounding the Canadian magazine industry.²⁴

In his May 2011 Editor's Note, Macfarlane said, "As wonderful as they are, *Harper's*, *The Atlantic*, and *The New Yorker* are produced by mostly American editors, for mostly American readers. They rarely cast their gaze north of the forty-ninth parallel."²⁵

1.4 **SOCIAL POLICY & THE GENERAL-INTEREST CATEGORY**

In the second half of the twentieth century, the Canadian government embraced, to a certain degree, the value of cultural development and the importance of the creative economy. A healthy creative economy contributes to a country both in terms of the development of a strong national identity and a unique Canadian culture, as well as in economic terms by providing jobs and industrial development. From the 2008 *Valuing Culture* report from the Conference Board of Canada: "Culture springs from the creativity of individuals and from people working collaboratively. For this reason, creative activities based on culture help to promote national identity at the same time as they sustain the cultural diversity that is important to Canadians."²⁶

Magazines are certainly important players in this creative economy and their work directly influences Canadian culture.

National magazines create a national community — one that is aware of the latest changes to affect them, that engages in debate about the implications of those changes and about what other opportunities and challenges exist that might affect them. National magazines not only build a national community of authors, historians, and news junkies, but also doctors, engineers, youth, and practitioners in various fields, such as welding, small-appliance repairs, house-building, nursing, and so on.²⁷

The Walrus contributes to Canada's creative economy by featuring the work of Canadian writers and artists, and encouraging a particularly Canadian conversation on topics unique to this country, or those with a unique Canadian perspective. Government support of artistic and cultural initiatives like this is important. That mindset is what guided the Royal Commission on National Development in the Arts, Letters and Sciences sixty years ago. The 1951 Massey Report that the Commission put together stressed the importance of federal funding for cultural industries, which led to the development of the Canada Council for the Arts and the National Library.

Though somewhat curiously, the Massey Report washed its hands of responsibility for the periodical industry. It lumped magazines in with newspapers but claimed a lack of confidence on the matter:

It is with some diffidence that we venture to include the newspaper and periodical press of Canada in this survey of the arts, letters, and sciences. Officially we have no concern with newspapers or magazines; their publication in Canada is a complex, varied and specialized business on which the layman may comment only at the risk of banality or of serious error; and we shall be making no formal recommendations on these matters, although elsewhere we have noted certain disabilities affecting Canadian newspaper and periodical publishers.²⁸

They did acknowledge, however, that this cultural contributor ought to be included in the report and offered a nod in its direction by quoting the Royal Commission on the Press in Great Britain (1949):

The democratic form of society demands of its members an active and intelligent participation in the affairs of their community, whether local or national. [...] The responsibility for fulfilling these needs unavoidably rests in large measure upon the Press, that is on the newspapers and the periodicals, which are the main source from which information, discussion, and advocacy reach the public.

Well said, but Massey's collective was still reluctant to get too close.

To what extent the press of Canada responds to these grave responsibilities, this is not the place, and we are not the body, to determine. An inquiry to this end, involving an investigation of such matters as the finances, the control, the handicaps, the freedom and the sense of responsibility of the press of Canada, lies far beyond our competence.²⁹

They did expand a bit, and acknowledged, at arm's length, that the periodical press is important but figured the only real threats to the industry were paper costs, and perhaps American competition.

We have in Canada no equivalent of the *Atlantic*, *Harper's*, or the *New Yorker*. We do have, nonetheless, a periodical press, which, in spite of all temptations and in spite of occasional defections, insists on remaining resolutely Canadian. [...] Canadian magazines, unlike Canadian textiles or Canadian potatoes, are sheltered by no protective tariff, although the growing extent of the Canadian market has attracted the interest of American advertisers and magazines so that competition from the south has become increasingly vigorous. We were impressed by the fact that the Canadian periodicals neither desired nor requested any protective measures apart from an adjustment of tariff rates on paper imported from the United States for publishing purposes.³⁰

As it turns out, Canadian periodicals *did* desire protective measures, which brought about Grattan O'Leary's Royal Commission on Publications in 1960, established to address increasing competition from foreign-owned publications entering Canada from the US, notably *Reader's Digest* and *Time*.³¹ The O'Leary Report led to a number of federal policy decisions that had more to do with keeping foreign interests out of the country than with actively supporting Canadian interests. With echoes of the Massey Report, O'Leary's recommendations took a decidedly defensive approach to fostering a unique Canadian culture. By placing restrictions on what US-owned companies could get away with in Canada, these federal policies focused more on keeping the bad guys out so they would not hurt the good guys, rather than taking an offensive approach to make the good guys stronger. As Robert Fulford, former editor of *Saturday Night* (1968-1987) put it: "Making survival the focus of our attention hardly encourages a vibrant cultural atmosphere. It's a downer."³²

Some pro-active financial support came in the mid-90s with the introduction of the Periodical Assistance Program (PAP) from Canadian Heritage, which was a partnership between the Government of Canada and Canada Post that gave postal subsidies to periodical publishers. The program was dissolved in 2010. The Canadian Magazine Fund (CMF), introduced in 1999, became the Canadian Periodical Fund (CPF) in 2010, which allocates \$72 million per annum to Canadian magazines. *The Walrus* received only \$108,961 and \$90,815 from the PAP and CMF respectively in 2010 (before the CPF

came into being) and \$261,264 in 2011 from the new CPF. Comparatively, the country's five highest grossing magazines (*Maclean's*, *Chatelaine*, *Reader's Digest*, *Canadian House & Home*, and *Canadian Living*) each received a \$1.5-million grant, the maximum allowable under the new program.³³

Pro-active support is especially important to general-interest magazines that cannot rely totally on traditional advertising models and for whom *Maclean's*-style mass appeal (circulation: 350,000) is just out of the question. Says Macfarlane: "This is the great reality. The sort of elephant in the room, where culture and the arts are involved in Canada, is that it is a small country. High culture and the arts do not have mass appeal anywhere. That is why the Canadian Opera Company needs supporters. That is why the Stratford Festival needs supporters."³⁴ High culture does not generate mass appeal the way consumer culture does (i.e. Hollywood movies, television, mainstream music, etc.). To compensate for the revenue shortfall of ticket sales, ads, and government grants, high culture organizations (like the Canadian Opera Company, Stratford Festival, and the Vancouver Art Gallery) often operate associated charitable foundations that generate additional funds through donations and philanthropic contributions.

Magazines that face similar challenges for similar reasons need a similar approach to revenue generation, and *The Walrus* was launched with that approach in mind. Straying from the defensive approach to defining a national identity that the Massey and O'Leary Reports set forth, *The Walrus* set out on the offense both in terms of editorial strategy and a business plan by establishing a charitable foundation.

Their first order of business was to step away from the familiar Canadian symbol: the fuzzy little beaver, essentially a glorified rodent. According to Ambrose, their goal was "to alter our view of ourselves as Canadians, to enable us to have a different kind of conversation. In other words: not the beaver, the walrus. Larger, feistier, slightly irascible, northern, even a bit smelly. No one, it was decided, could ignore a walrus."³⁵

Then they set about guiding and informing a truly Canadian conversation. It is not about competing against foreign-owned interests, it is about defining one's own.

The Canadian conversation is complicated. But even if we have different views, and we do, they are still our views. We also have our own stories and our own heroes [...] And we need our own forum so we can talk about our views and our stories. Sure you need to know about what's going on in the world, but when you read things going on in the world, [via] *The Economist*, *The New Yorker*, that's great, those are great magazines, but they're not Canadian. When you read those things, you're missing something, you're missing *you*. You're a spectator; you're not in that game. Global journalism will rarely talk about you and your country, nor will they talk about the rest of the world through your eyes. They're not a forum for the Canadian conversation.³⁶

The Walrus was born into the climate that killed *Saturday Night* but its founders strongly believed in the value and importance of a Canadian general-interest magazine that offers a forum for conversation, which is crucial in the development of a national identity and a significant contributor to a vibrant creative economy. This raises an important question: If traditional revenue streams in magazine publishing are increasingly difficult to rely on, and particularly so for a general-interest magazine like *The Walrus*, how does it survive? The people behind *The Walrus* think they have an answer: Find funding elsewhere by establishing a charitable foundation.

It is just reality that a magazine that sets out to do what *The Walrus* sets out to do is not going to have a circulation of 200,000 in a country as small as Canada. Because it is designed not to have a circulation of 200,000. The fact that it doesn't have an audience that big doesn't make it a failure. On the other hand, it has to survive, so the only other revenue stream is fundraising.³⁷

CHAPTER TWO

THE FOUNDATION MODEL

2.1 CHARITABLE STATUS

When it launched, *The Walrus* had an infusion of \$5 million from The Chawkers Foundation. This funding was intended to get the magazine through its first five years, by which point the magazine was hoping to have been granted charitable status by the Canada Revenue Agency (CRA), which would allow it to raise funds from philanthropic organizations like Chawkers, as well as other individual donors. The intention of the founders was that while advertising and circulation would still earn revenue, the magazine would not be dependent on them alone.

Obtaining that charitable status was easier said than done. The non-profit Walrus Foundation was established to meet the requirements of a charitable organization and Berlin and Alexander made their first application to the CRA in 2002, before the magazine was born. They were denied. In order to meet the requirements of charitable status, organizations must be engaged in activities that work toward “the relief of poverty; the advancement of education; the advancement of religion; [or] certain other purposes that benefit the community in a way the courts have said is charitable.”³⁸

The Walrus met these requirements and was granted charitable status in 2005, later than anticipated. To earn this status, *The Walrus* focused its mandate on the educational purposes set out by the CRA. The Walrus Foundation’s mission is “to promote public debate on matters vital to our country.”³⁹ It maintains this status by engaging in a number of activities that have an educational bent — the publication of *The Walrus* is only one of them. In addition to offering “ideas, sophistication, and wit, and a place where readers, writers, and artists meet,” The Walrus Foundation runs an extensive internship program for aspiring publishing professionals and hosts national events that encourage intelligent debate on Canadian issues.⁴⁰

Charitable status allows The Walrus Foundation to accept tax-deductible donations from organizations and individuals. This means donors get the benefit of reducing their tax payable through tax-deductible donations and The Walrus Foundation is exempt from paying income tax to the CRA.⁴¹ Its charitable status also means it must limit advertising to no more than thirty percent of the magazine.

The Walrus is not the first magazine to work with charitable status, but that status is doled out on a case-by-case basis and historically only to magazines with a very clear educational mandate. Some of those are *Canadian History* (formerly *The Beaver*), *Canadian Art*, *This*, and *Canadian Geographic*. The educational bent of *The Walrus* is not as obvious and some believe *The Walrus* had to contort itself to fit the educational requirements and that a big part of its success was its expansion beyond the publication of the magazine to incorporate events and intern training.⁴²

Even if it can be accomplished, gaining charitable status is not a surefire sustainability strategy for a magazine and *The Walrus* has not exactly had a path to success paved for them. Charitable status is reviewed annually, so the magazine could lose that status at any point. *The Walrus* is already pushing the limits of what meets the CRA's requirements. The CRA's examples of activities that might be seen to be in support of the advancement of education range from establishing schools to conducting research and publicizing the results. *The Walrus*, on the other hand, hosts periodic debates and while its content is much more educational than what a magazine like *FASHION* produces, it is not quite on par with running a school. Its charitable status, while tenuous at best, is not guaranteed.

A charitable organization can have its status revoked by the CRA for "failing to devote its resources to charitable purposes and activities, failing to maintain adequate books and records, or failing to maintain direction and control over its resources."⁴³ While there is no indication that *The Walrus* is at risk of having its status revoked, having to comply with these requirements while working to raise enough funds to operate and

publish a compelling magazine takes considerable time and effort and involves considerable risk. Just because you are a charitable organization does not mean the donations are pouring in. As such, the years since gaining charitable status have not been without challenges.

2.2 THE WALRUS'S REVENUE MODEL

The Walrus is fuelled by revenue generated through a four-pronged model. The two traditional revenue streams — advertising and circulation — play a role, but because Walrus management believe these streams cannot be relied upon alone, they are supplemented by industry supports, like federal and provincial grants, and funds raised by The Walrus Foundation through donations, events and corporate sponsorships. Advertising, circulation and foundation revenue bring in very similar amounts (see Figure 1), while grants make up considerably less. Total revenue for the magazine and the foundation in 2010 was \$4,040,017 while operating expenses, for the magazine and foundation, totalled \$4,020,854, leaving a positive balance net profit of \$19,163. This marks an improvement over the previous year in which the organization saw a shortfall of \$146,013. It also shows that circulation, advertising, and grant revenue alone would have been insufficient to cover the magazine's expenses for the year and that the foundation's revenue was crucial to the organization's financial stability.

2010 REVENUE STREAM CONTRIBUTIONS

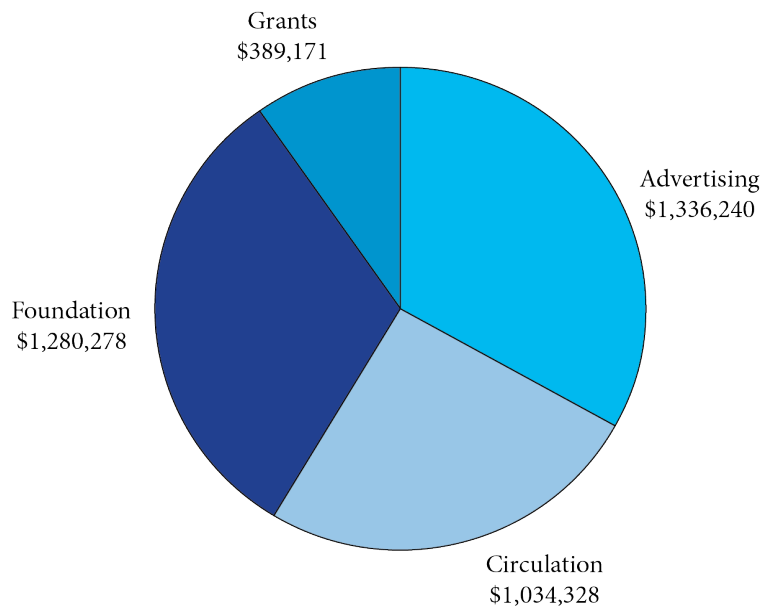


Figure 1

Advertising

In 2010, advertising revenue was up 33 percent over 2009 at \$1,336,240, but was projected to be much lower in 2011 at \$815,000. Advertising continues to be a tricky area of revenue generation as advertiser budgets wane in response to economic stagnancy. *The Walrus* sells its ads in-house with a two-person sales team, though ad space is often offered in kind to corporate sponsors as added incentive.

Circulation

Circulation revenue was up 8 percent in 2010 over the previous year, totalling \$1,034,038. Circulation is managed by one full-time staff member who also leads marketing efforts for the magazine. Circulation revenue was projected to increase in 2011 and total \$1,150,900, but decreasing newsstand sales and the

unforeseen strike by Canada Post workers in the summer of 2011 cost the organization approximately \$72,000 in lost revenue,⁴⁴ in part because of cascading cashflow restrictions due to interrupted renewal campaigns during the strike.* As of 2011, *The Walrus's* circulation was 60,000 including 38,000 subscribers and 14,400 newsstand sales.

Grants

Grant revenue doubled in 2010 over 2009 to a total of \$389,171. This represents funds granted by the Canadian Periodical Fund, Canada Council for the Arts, Ontario Arts Council, Trillium Foundation, and the Ontario Media Development Corporation. However, in 2011, despite applying again for them, grants were not allocated to The Walrus Foundation from either Canada Council for the Arts or the Trillium Foundation, which represents a combined \$95,000 of anticipated and budgeted revenue that did not materialize.

There is no clear explanation for the unawarded grants of 2011. While Canada Council has tweaked its definition of literary non-fiction in recent years when it comes to the allocation of grants for authors and book publishers, a similar tightening of scope has not been clearly stated for literary and arts magazine grants. That said, were Canada Council's definition of literary non-fiction for

* The "lost revenue" that resulted from the Canada Post strike was largely the result of a cascading effect. Renewal notices and invoices are sent out every month, which represent over \$100,000 of potential renewal revenue and \$10,000 a week of revenue owing. Because those renewal notices and invoices could not reach their intended recipients, returns were much lower than normal and the cash flow required to send out additional mailings was severely reduced, affecting the revenue generated by mailings even after postal service was restored. The exact dollar value of revenue lost as a direct result of the Canada Post strike is difficult to ascertain, though circulation revenue was \$72,000 below target for the year as of the writing of this report.

books applied to magazines, *The Walrus* would still be considered eligible by definition.*

Foundation

Outside of industry grants, The Walrus Foundation solicits funds through donations, corporate sponsorships, and special fundraising events that fit into The Walrus's educational mandate. In 2010, donations were down 27 percent over 2009, totalling \$741,263, while revenue generated through fundraising events increased 76 percent over 2009, totaling \$539,015. Corporate sponsorship funds were not isolated in the foundation's audited financial statements, though unaudited statements indicate corporate sponsorships totaled \$174,200 in 2010 and were projected to reach \$250,000 in 2011.

2.3 CHALLENGES

In spite of the magazine's small positive balance in 2010, advertising spending in magazines has been falling across categories, especially in response to the economic recession that struck in 2008,⁴⁵ and *The Walrus* has not escaped that. By the time Alexander left in 2008, the initial seed money from Chawkers had nearly disappeared, as anticipated (the money was intended to last five years). While the magazine had its charitable status in its pocket, it still had to find donors.

Meanwhile paper costs were increasing and advertiser spending was decreasing.

Readership was still increasing but not nearly at the rate it was increasing after the

* From the Canada Council's guidelines for Book Publishing Support: Block Grants — "The Canada Council defines literary non-fiction as narrative text about real events, people or ideas, where the writer's voice and opinion are evident and the narrative is set within a context and a critical framework. The work should be accessible to a general reading audience and cannot be intended for a specialized or academic readership. Eligible literary non-fiction titles make a significant contribution to literature, or to information about the arts or to the enjoyment of writing by Canadians. Titles within the following subjects are eligible, if they meet all other eligibility criteria: art, architecture, biography, history, literary criticism, nature, philosophy, politics, reference, social sciences, sports and travel."

initial launch. Renewal rates have always been high relative to the industry standard⁴⁶ but in recent years newsstand sales have dropped.⁴⁷ Consequently, The Walrus has had to cut costs. When it launched, *The Walrus* paid writers \$2.50 per word, on par with its American counterparts.⁴⁸ But today it pays less than half of that at \$1 per word.⁴⁹ This is still high relative to what other magazines pay on average, but \$1 per word was decent pay in the heyday of long-form journalism back in the 70s and 80s.⁵⁰ In 2007, the magazine stopped paying interns, a program that helped The Walrus Foundation qualify for charitable status. Funding for the internship program had been provided by the George Cedric Metcalf Charitable Foundation and lasted only two years.⁵¹ Ambrose said they were looking for another source of funding but as of 2011, the interns are still unpaid.⁵² In the first six months of 2009, advertising was down 36 percent,⁵³ the culmination of a downward trend that spurred Ambrose to launch a public plea for donations in May that year.⁵⁴ The funding drive continued in August with a celebrity-boosted online video asking for support.⁵⁵

These efforts paid off, as 2010 marked an improvement over 2009 in all revenue streams, especially those on the foundation side, except individual donations (see Figure 2).

2009-2010 REVENUE CHANGE

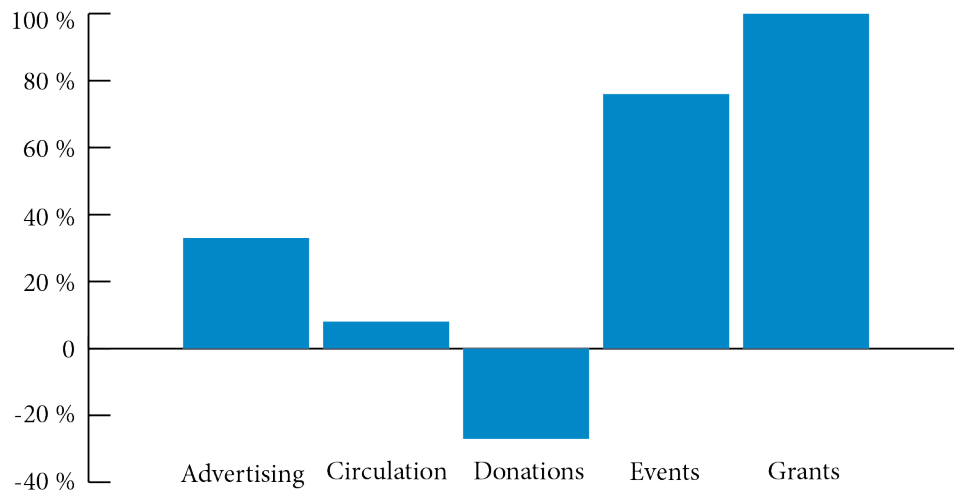


Figure 2

But despite the optimistic upswing, *The Walrus* is not in a safe enough position to rest on its laurels. Though audited financial statements for 2011 were not yet available at the time of this report's writing, there was indication this year of losses — the aforementioned missing grants and circulation revenue shortfalls. Just when *The Walrus* witnesses an upswing, it is reminded that the revenue streams it relies on are far from guaranteed.

Says Macfarlane, "It's kind of ironic in a way, to be calling *The Walrus* successful. On the one hand it is successful. On the other hand, it's like a long distance swimmer struggling to stay on top of the water and not drown."⁵⁶

But in a sea dotted with so many uncontrollable variables – like postal strikes and finicky grants – The Walrus Foundation holds on to one of its more controllable, and buoyant, variables – fundraising.

CHAPTER THREE

CORPORATE SPONSORSHIPS

3.1 WHY CORPORATE SPONSORSHIPS

When individual donations are relatively small, and philanthropic contributions are few and far between, corporate sponsorships are a way for The Walrus Foundation to secure larger sums of money. For-profit corporations often have a portion of their annual budgets set aside for community involvement, which often takes the shape of sponsorships. While sports-related organizations are the likeliest recipients⁵⁷, these funds also go to charitable and community organizations whose missions align with the attitudes and beliefs of the sponsoring companies.

The rationale behind a corporation entering into a sponsorship agreement with other businesses is generally twofold⁵⁸:

1. **Sponsorship ties into marketing efforts and brand development.** Sponsorship generally involves the corporation giving the sponsored organization funds or products in exchange for brand recognition and publicity. For example, in exchange for the funds donated by Stella Artois to The Walrus Foundation, The Walrus Laughs website includes a Stella Artois logo and recognition of the company's role as sponsor, as does any associated promotion of the website.
2. **Supporting communities makes them stronger and strong communities are more likely to support the businesses that operate within it.** It is in a corporation's best interest to support the organizations that build the communities that will buy its products and services. In the case of Aeroplan's sponsorship of The Walrus's travel photography contest (detailed below), for example, Aeroplan helps to inspire the travel aspirations of The Walrus's reader community, which skews wealthy and travel-savvy. The average annual household income of a *Walrus* reader is \$82,000, and 31 percent of *Walrus* readers have an annual household income of over \$100,000. About 78 percent of readers claim to be likely to travel within the year of the survey.⁵⁹ This, in turn, benefits Aeroplan as members of that community are, theoretically, likely to use Aeroplan's services in their future travels.

On the other side of the equation, The Walrus Foundation seeks corporate sponsorships because it recognizes corporations have these funds budgeted and available for this purpose, and it needs additional funds. While charitable status is not required to receive sponsorship funds, in the same way it is for corporate gifts or donations, corporations do tend to look more favourably at charitable organizations when it comes to allocating funds for sponsorships.⁶⁰ In that respect, while The Walrus Foundation's charitable status is not necessary to generate this revenue stream, it certainly puts them in a better position to tap into funds that have many organizations — charitable and not — vying for them.

Beyond broadening revenue sources, sponsorships are also orchestrated in a way that broadens *The Walrus's* audience.⁶¹ Grabbing the attention of people who may not already be aware of *The Walrus* is tapping into potential subscribers, donors, and event attendees, which also translates into additional revenue for the foundation and the magazine.

3.2 WHAT A SPONSORSHIP LOOKS LIKE

Corporate sponsorship is a business relationship in which two entities exchange things of value, including a public display of support. This value can be financial, in-kind, or benefits related to visibility/exposure, publicity or market reach. It should not be confused with donations (philanthropy), with advertising, or with innovative approaches to purchasing goods and services.⁶²

In pursuit of sponsorships, the Walrus Foundation is primarily seeking money, though some secondary benefits of sponsorships come in the form of reciprocal publicity and brand awareness if the sponsor is promoting the partnership as well, which is often the case. The Walrus Foundation attempts to attract event sponsors as well as more general corporate sponsors, which are tied to *Walrus* content and must relate to The Walrus's mandate. This case study focuses primarily on the latter.

In exchange for this money (the sum of which is negotiated typically between co-publisher/executive director Shelley Ambrose and representatives of the sponsoring company), The Walrus Foundation is concerned with rolling out projects with few major costs and resource requirements so as much of the sponsorship funds coming in as possible can remain as revenue.

Typically with corporate sponsorships, The Walrus Foundation offers publicity in the form of logo and name placement on associated products (website, advertisements, supporting documentation, etc.). The Walrus may also offer free advertising in the magazine to the sponsor in exchange for its financial contribution. This is a good bargaining chip for The Walrus Foundation to hold when negotiating sponsorships. It costs relatively little for the magazine to place ads, except for the potential loss in advertising revenue that could have come in for that ad space (usually prime advertising real estate, such as the inside front cover), though with the state of advertising as it currently is, there's a good chance the ad space that is going to sponsors would not have been sold, so the sponsorship value typically outweighs the potential cost of lost ad sales revenue. This arrangement also allows the sponsor to pull funds from both its community giving budgets and its advertising budgets, making it easier for the sponsor to support larger contributions.

The funds generated through sponsorships may be allocated to the deployment of specific projects or events, while other times they are simply allocated where need arises, at the discretion of The Walrus Foundation — i.e., to compensate for this year's circulation revenue losses that arose as a result of the Canada Post strike. Specific fund allocation arrangements would be worked out with the sponsor in the negotiation process. Generally speaking, corporate sponsors to The Walrus are less concerned with where their money goes than with how their company benefits from the partnership.⁶³ All in all, corporate sponsorships mean relatively large sums of money coming in to be used as The Walrus Foundation deems fit – a flexibility that does not always come with funds generated through industry grants or, less often, private donors.

The ideas behind the projects come either from The Walrus, who then find an appropriate sponsor to approach for support, or, less frequently, as a result of knowing there's a willing sponsor and then tailoring a project that suits a particular intersection between its interests and The Walrus's mandate.⁶⁴

3.3 EXAMPLES OF THE WALRUS FOUNDATION SPONSORSHIPS

RBC

RBC has been involved in corporate sponsorships with The Walrus Foundation for a couple of years. The RBC Walrus Conversation Series is a series of conversation events focusing on topics related to the field of children's mental health, which is one of RBC's priority project areas. RBC also sponsors The Walrus's Visual Art Project, which fits into its mandate to support emerging artists in Canada. Both of these initiatives aligned well with The Walrus's mandate to educate Canadians on issues relevant to them, and to support the arts in Canada. The Walrus developed the ideas behind the projects knowing RBC has interests and community giving priorities in these areas. RBC gives The Walrus a total of \$150,000 per year for these projects. In exchange, The Walrus attaches RBC's name to these projects, and does most of the administrative work to keep them running.

Aeroplan

This partnership was launched in January 2011 and took shape as an amateur travel photography contest. Aeroplan gave \$50,000 and its name was attached to the contest, which was hosted on The Walrus's website, and promoted online and in the magazine. Photographer Edward Burtynsky was brought on board as a judge, though he was only involved in narrowing down the finalists.

CHAPTER FOUR

ANATOMY OF A SPONSORSHIP

4.1 WHY 'THE WALRUS LAUGHS'

The Walrus Laughs is a humour website launched with the support of corporate sponsor Stella Artois (a division of Labatt). The idea for the project came from a new member on The Walrus Foundation's board of directors, Patrick Gossage. His original idea was for a comedy event hosted by The Walrus and sponsored by an interested company.⁶⁵ Because this was seen to be more as a stand-up comedy event and all of The Walrus Foundation's activities have to tie back to its educational mandate, the idea shifted into one that would focus on humour writing, which is seen more as an extension of literature as opposed to live entertainment. Plus, The Walrus already had a collection of humour writing from previous issues of the magazine – valuable content that could be repurposed and therefore reduce costs. Because resources for producing something digitally (as an extension of The Walrus's existing website) are much cheaper than producing something in print, the idea of a humour website was born. The plan is to let this exist as an online destination at first, and follow it up with a live sponsored comedy event in May 2012.

Ambrose set about finding a name in comedy to attach to the project as well and solicited the help of Perry Rosemond, founding director of The Royal Canadian Air Farce, as well as a number of other Canadian and international humour programs.⁶⁶ Then it was time to hunt for a sponsor. Ambrose and her staff drafted up a pitch and arranged meetings with representatives from companies they thought might be interested in supporting a Walrus-brand-humour site. Ambrose met with representatives of Toyota, Wind Mobile and Labatt. Labatt agreed to provide \$20,000 in sponsorship funds to the project, while Toyota and Wind Mobile turned down the proposal.

In terms of broadening revenue sources, The Walrus Laughs did that to the tune of \$20,000. When it comes to broadening the ‘customer’ base — the other part of the sponsorship equation — the site is intended to attract a new, humour-seeking demographic in tune with the Canadian comedy world, as well as event attendees who would purchase tickets to the live event(s) in the future. In the eyes of The Walrus Foundation, new audiences are potential new donors and subscribers.

The site features content in three streams – Perry’s Laughs, Magazine Laughs, and Your Laughs. Perry’s Laughs are submissions from notable humourists and comedians, many of which were solicited by Perry himself. Magazine Laughs includes all humour writings and comics from the entire back catalogue of *The Walrus*. Your Laughs features selected submissions by readers. Within their categories, stories can be voted up or down, which affects their placement on the page. Readers can also leave comments. All content is vetted and lightly edited by The Walrus’s online editor Matthew McKinnon and his team of interns.

4.2 **SPONSORSHIP PITCH PROCESS**

Ambrose approached representatives of Stella Artois with a five-page pitch that outlined the intent of the project, how it would benefit Stella Artois, the timeline and various available levels of sponsorship, and the project’s current status and next steps.

The pitch makes it clear why Stella Artois is being targeted for sponsorship. This is one of Labatt’s premium international brands that it represents domestically, which is marketed to a higher-brow demographic than is targeted by the company’s other lines, like Labatt Blue.

“We’d be thrilled to partner with Stella Artois because the brand has earned a reputation for excellence. People who enjoy Stella Artois have a passion for perfection, and prove that they are committed to living *la vie*. The partnership holds special potential when opportunities inherent in La Société Stella Artois are considered.”⁶⁷

Then the pitch covers what The Walrus would be offering Stella Artois in exchange for its financial contribution to the project. Publication advertising includes a list of the locations *The Walrus* would offer in-kind advertising, including in the print edition of the magazine, on walrusmagazine.com, on The Walrus Laughs site, on the digital and tablet editions of the magazine, and on Walrus TV.* Promotion of the project would include Stella Artois' logo and name where possible on the website, on any advertisements promoting the website, in social media, in e-newsletters and through The Walrus's media relations efforts (press releases, etc.). Further sponsor recognition and co-branding would occur at the live event proposed for May 2012, including recognition in event advertising, signage, and associated materials; through product placement (serving Stella Artois at the event), live recognition of Stella Artois' contribution at the event, through event coverage and on Walrus TV through programming related to the event.

In exchange for this, The Walrus Foundation requested a contribution of \$50,000 for twelve months. Stella Artois instead agreed to provide \$20,000, and a contract was drafted in mid-June – a few weeks prior to the launch of The Walrus Laughs.⁶⁸ Despite a lower contribution than hoped for, The Walrus still provided all of the items (advertising and promotion) set out in the proposal. The approximate value of the advertising offered to Stella Artois, according to The Walrus magazine's advertising rate card, was \$10,000 per month.⁶⁹ In addition to the money, Stella Artois was to provide its own logo and ad artwork, as well as some cross-promotion of the project to members of its own Club Stella Artois / La Societe Stella Artois. Walrus staff and interns would create, maintain, and administer the proposed website using existing resources, and working within existing budgets, as the sponsorship funds supplied by Stella Artois were not allocated directly to covering the costs of the project.

* Walrus TV is a partnership between The Walrus Foundation and High Fidelity HDTV in which programming that stems from content from *The Walrus* magazine is featured on eqhd and Treasure HD, two of High Fidelity's premium television channels.

4.3 **DIGITAL STRATEGY**

The Walrus Laughs website was created with the paid help of an outsourced Wordpress developer. The software required, from wordpress.org, is free, open-source software, but it cost \$1,350 for the developer to create the site according to McKinnon's specifications. This is likely something that could have been achieved in-house but not without considerable time and self-training commitments on the part of McKinnon. Updates to the site would subsequently cost only McKinnon's time and that of the unpaid web interns. The site was developed, implemented, and stuffed with existing content in time for its launch on July 1st.

The decision to base this humour project online as opposed to an offshoot of a print publication or solely as a live event has many benefits in addition to low costs. The digital realm allows for many different types of media to be included – words, video, audio, and illustration are all featured on the site. The interactivity features embedded in the site tap into the viral nature of humour online and allow for easy sharing of content, which increases traffic. The ability for readers to vote their favourite pieces up and down instills a further sense of agency and interactivity in the site, and encourages revisits. This set-up also allows for immediate action in advertising efforts, especially through social media channels. The Walrus Tweeter can tweet about the new humour project and include a link that takes interested parties directly to the site immediately, rather than promoting a print object that needs to be purchased or obtained elsewhere, or a live event that may not occur for some time.

4.4 **EDITORIAL STRATEGY**

Much of the editorial content that was on the site at the time of the launch was comprised of existing works from previous issues of *The Walrus*, which already existed in digital form on walrusmagazine.com. A few of Perry's Laughs had been commissioned from humourists like Gordon Pinsent, Mike Bullard, Kenny Robinson and Robin Duke, and some 'reader' submissions had been solicited from calls for submission sent via email to known amateur comedians. Many submissions came in as

a result from a notice included in the student newsletter of Toronto's Second City Training Centre.

None of the selected authors were paid for their work, simply because no budget for editorial had been allocated.

Content acquisition was one of the biggest challenges of the project before and immediately after its launch. This may have partly been because of the lack of payment to compensate good writers, but it is also largely attributable to the difficulty around creating something that is actually funny. Identifying what is funny is largely subjective, though if one looks at what *The Walrus* has published in the humour category, certain styles and approaches to humour are evident. Identifying, for the purposes of the report, what exactly The Walrus Laughs was looking for in terms of humour is futile and rejections were often based on the collective opinion that they were not "Walrussy enough." As E.B. White said, "Humor can be dissected, as a frog can, but the thing dies in the process and the innards are discouraging to any but the pure scientific mind."

Despite calls for submissions through The Walrus's Twitter and Facebook feeds, as well as in the e-newsletter and magazine, submissions were few in the initial months, and few among those were selected for publication. Some were inappropriate for The Walrus's tastes due to vulgar or immature content, others just were not funny. Rejected submissions ranged from far-too-personal topics (i.e. a woman's description of her trip to an esthetician for a Brazilian wax) to others that, while they may have elicited in-house laughs, went just a bit too far for *The Walrus's* broader audience. (i.e. a video submission of a perverted baseball announcer puppet). At the time of this report's writing, no new submissions to the Your Laughs category had been published since mid-August, a month-and-a-half after the site's launch.

Contributions to the Magazine Laughs column remain fairly stagnant, only updated when new humour content is published in the magazine. Perry's Laughs were updated

only in October, after Walrus interns sourced potential contributors for him to solicit submissions from.

Essentially all of the editorial work, short of the actual writing, is done by Walrus staff and interns, all of whom have additional daily responsibilities. No one is dedicated entirely to this project and with an already strained staff *The Walrus Laughs* was not a priority on anyone's to-do list. None of the magazine's in-house magazine editors (one editor-in-chief, one managing editor, two senior editors, and one associate editor) was involved in the vetting or editing processes for content on the site.

The Walrus Laughs was primarily a foundation project. The first aim was to use it to solicit sponsorship moneys for the foundation, and the editorial value-add for walrusmagazine.com was certainly a goal of the project but because the tie-in with editorial staff was minimal, and the project was spearheaded by the foundation – there was little incentive for the editorial staff and interns working on the project to give it much time and *The Walrus Laughs* seemed to be shifted to the backburner as a result. Not out of a lack of support, but a lack of resources — there are other things that need to be done and few people to do it all. When a good submission came in, it was edited and published, typically within a few days, but little was done in the way of a submission drive and as a result, during the initial months few submissions came in and the site sat stagnant for days, sometimes weeks, until it was decided that something had to go up. With a very limited slush pile at the ready, what went up was not always the kind of exceptional content *The Walrus* publishes in the magazine, but as a new site, without the reputation for quality that *The Walrus* has built over the past eight years, 'good enough' had to suffice.

This is one of the catches of editorial-filled but foundation-driven initiatives. Once the money is secured, without a sustainability plan there remains little in the way of organization, resources, or incentive to ensure the maintenance and administration of the project from an editorial perspective.

Surely, there is reason for projects like this to succeed editorially. Without regular, good content that is up to the standard that *Walrus* readers have come to expect, a site will fail to generate new and return traffic, which means the sponsor's brand presence is for naught because it reaches few eyeballs. Presumably, if that were to happen in the case of The Walrus Laughs, Stella Artois would be unlikely to renew its sponsorship of the project next year (its sponsorship is to end one year after the launch), and it likely would not want to be involved with The Walrus Foundation in subsequent sponsorships having witnessed poor return on its investment.

Considerations Around Conflict of Interest

With the involvement of corporate sponsors on specially designed editorial projects like The Walrus Laughs, questions of conflict of interest come up. While Stella Artois left editorial control of the project to The Walrus and trusted the discretion of Walrus staff in the selection of content, the chances of someone writing a humorous, scathing, but necessary attack on Stella Artois are minimal. But what if a writer pitched an article to *The Walrus* that unveiled shady business practices at Labatt, or RBC, or Aeroplan? Does the magazine break the story or does it maintain the important sponsor relationship? In an interview, editor John Macfarlane was quick to say he would opt for breaking the story.

If some story landed on my desk that I was certain would offend the Royal Bank but I was equally certain was an important story, we'd publish it and take the consequences ... [Ambrose] would be more willing to do it than many other people, but she is a person who's in charge principally of generating funds that make The Walrus Foundation go. She would probably have more difficulty making that decision than I would. But I understand it's not worth existing if you're going to compromise on your mission.⁷⁰

This is not a new consideration for magazine editors and publishers to mull over. Only in this case it is corporate sponsors who you may offend, rather than advertisers. Says Macfarlane: "It's no different than worrying about publishing stories on cancer in *Maclean's* in the 70s because it would have alienated cigarette manufacturers."⁷¹ However, so far *The Walrus* has not had to test that theory.

4.5 LAUNCH OUTCOMES

Press

The site launched to much press coverage, which gave the site a good initial traffic boost. The Walrus Foundation issued a press release, which was picked up and turned into stories in the *National Post*, *CBC*, *J-Source*, *Masthead Online*, and *MediainCanada.com*. The website also got a mention in a tweet by Margaret Atwood on Twitter, the mother of all traffic boosters in Canada’s social media world — at least insofar as the publishing world is concerned.

Traffic: The First Three Months

On the day the site launched, July 1, the site received 1,072 visits and got another 3,095 five days later when Atwood tweeted a link to the site (represented by the largest peak in Figure 3). That would be the highest traffic day in the site’s first three months of existence. From there, traffic dropped off, but experienced small boosts every time something new was published on the site and subsequently tweeted about or posted on The Walrus’s Facebook wall (represented by the subsequent, smaller peaks in Figure 3). On its lowest day, the site received only 10 views, but between August and September it averaged about 103 views per day.

THE WALRUS LAUGHS TRAFFIC: FIRST THREE MONTHS

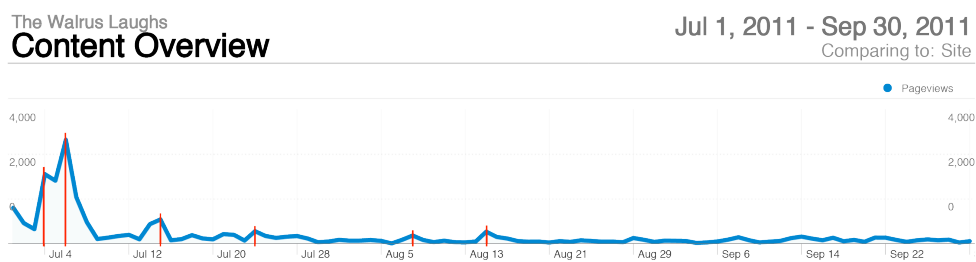


Figure 3*

* Source: Google Analytics

The site's top referrers are not surprising. Most of the traffic comes from direct hits – users plugging in the site's URL directly into their browsers, though the vast majority of these hits occurred in early July when the site launched. Facebook and Twitter are the top two and three traffic sources respectively, and show very clear correlation between traffic and links to new content being posted on these sites — when users of these sites are reminded of The Walrus Laughs and enticed by new content, they visit. The third and fourth most popular referrers are walrusmagazine.com and google.com, both of which sent less but more consistent traffic to the site over time, though hits directed from these sites collectively represent only 18.6 percent of the site's traffic.

In the first three months, from July 1 to September 30, The Walrus Laughs received a total of 22,722 pageviews. walrusmagazine.com, on the other hand, attracted 205,566 pageviews in the same period.

4.6 ANALYSIS OF POST-LAUNCH CHALLENGES

Traffic/Marketing

The drop in traffic post-launch indicates that while publicity got the attention of one-time readers, few became loyal readers as a result of these efforts. Smaller bursts of activity corresponded to social media marketing efforts, but the site did not gain enough momentum to sustain the traffic on its own. If traffic in the initial stages of a project like this relies on new content to maintain momentum, the editorial stalemates didn't help and, as such, the site lay in relative stagnation for much of its early post-launch period.

Whether readers actually found the content funny is not easy to ascertain. The fact that the site attracted readers when new content was posted and promoted indicates that readers were drawn to the content, and it was the lack of fresh content that resulted in the traffic drops in between new items, rather than a lack of reader appreciation.

Barriers to Participation

Many features were included in the development of the site to encourage reader participation and interaction, including voting and commenting capabilities. However, users had to create a login for the site before they were allowed to participate, not an unusual process, but particularly laborious in this case, since users had to click a link in an email sent to them before gaining access to the interactive features. The benefit of this system is that only registered users can vote, and only once per item on the site, so this prevents vote-bombing, which skews results. Requiring email confirmation also means that users have to input a valid email address to gain access, limiting multiple accounts to those who felt compelled to create logins for each of their email addresses. However, this safety mechanism has many drawbacks that online editor Matt McKinnon was well aware of, though alternatives were few (and there was little free time to explore them).

Editorial Maintenance

Submissions for the Your Laughs category came in at the rate of one or two per week on average, but as mentioned previously, they were not quite up to snuff and as such, new content in that category was limited to six additions in the three months post-launch.

Rosemond's contribution in the way of submissions from known writers also waned post-launch. Interns put together a list of potential contributors, which was passed along to Rosemond so he could contact them to solicit their support. Two new Perry's Laughs were added to the site in its first three months post-launch.

The editorial challenges were largely present due to the aforementioned lack of time and staff in addition to not having a coherent editorial strategy for the site. Because this project was developed by the foundation as a sponsorship initiative,

one might presume that there was not a lot of associated buy-in from *The Walrus*'s editorial staff. Not that the project was not a good one or was not supported, in theory, by all staff — but there was no clear rationale behind the project, editorially, especially when those involved in it already had a lot of other responsibilities to deal with. There also appeared to be little incentive on the foundation's side to pour resources into the project once the money had been secured. Good enough would have to do.

Public Perception

Since *The Walrus*'s inception, indeed perhaps even before it launched, it has faced various forms of scrutiny from others in the industry. There has been much speculation about its ability to stay afloat over the years and some criticism around its gung-ho fundraising drives on the foundation side. The Walrus Laughs garnered some of that criticism. In response to an article announcing the launch of The Walrus Laughs on *Masthead Online*, one commenter left the comment, "It must be hard for a large fundraising entity like The Walrus to find any spare time to publish a magazine."⁷² The sentiment is that *The Walrus* magazine has become a side-project to The Walrus Foundation's fundraising and sponsorship efforts.

A different kind of criticism came from one of the writers invited to submit. There was no budget available to pay writers, and one of the writers solicited for the 'Perry's Laughs' section took issue with this publicly through a mailing list called *Toronto Freelance Editors and Writers*. The issue of fair compensation for writers is rightfully a hot topic these days, and is of particular interest among the users of this mailing list. While the public complaint came only from one potential writer, it is likely an issue that prevented other writers from submitting their work. For The Walrus to expect professional-quality work without compensation is a lofty aspiration, as its editorial staff is well aware. This reality contributed to the content stagnation of The Walrus Laughs.

Summary & Recommendations

Despite relatively low levels of traffic and submissions, no one at The Walrus is particularly disappointed with the success of The Walrus Laughs. If the goal of the project was to secure sponsorship funding, the project succeeded. However, when the guts of the project are both editorial and ongoing in nature, that cannot be the only goal. The Walrus has no illusions about that and Ambrose recognized at the project's outset that the goal is to expand both revenue streams (through \$20,000 from Stella Artois) and *The Walrus's* audience base (through content and its marketing). In terms of the second goal, the success of the website matters. Fortunately, no one at Stella Artois is breathing down the neck of The Walrus expecting reports on content and traffic. As such, one assumes that barring any catastrophes (i.e. complete abandonment of the project by The Walrus), Stella Artois can be expected to continue to support this project financially should it continue beyond the sponsorship's initial one-year term.

As such, The Walrus's failure to approach the project with an internal plan to expand the audience base (which would be reflected in consistent traffic) only hurts The Walrus. It drains already strained resources without reaching that second goal.

To remedy this, editorial projects of this nature would need to not only include a clear division of responsibilities on the part of the foundation and the sponsor, they would also need to involve an internal strategy that maximizes the benefit for The Walrus, beyond the cash infusion from the sponsor. To say that costs are few or non-existent when you rely on existing in-house resources and recycled content overlooks time and labour costs. When those are maxed out, they are especially difficult to tap into. Those costs will be more worthwhile, and more completely supported by those giving their time and efforts, if goals are clear, realistic, and measurable. If that plan, once sketched out, is not one that can be realistically realized within the necessary timeframe and with the resources

available, it will need to be rejigged before committed to for the sake of realizing the projects first goal of securing sponsorship funds.

Some may argue that “if it cannot be done well it is not worth doing” but that only applies to those who can afford not to do it. The \$20,000 contribution from Stella Artois is necessary because The Walrus Foundation is not yet in a financially secure position in which in can rest easy. A project that brings in tens of thousands of dollars is worth doing “good enough” if doing it doing it well is not possible. However, the initial post-launch outcomes of The Walrus Laughs show that it can be done better.

In terms of weathering the negative (albeit limited) public response to the project, that harkens to a bigger issue faced by The Walrus and the rest of the industry. Macfarlane recognizes that *The Walrus* is in a unique position as a magazine soliciting donations and external funding — few other magazines have done it so it upsets the traditional concept of what a charitable organization is. Though he was referring to philanthropic donations in the quote below, the same logic applies to the lack of general public awareness about how The Walrus Foundation works that influenced the two reactions to The Walrus Laughs discussed above.

It continues to be an impediment that people in this country are not traditionally even asked to give money to a magazine. This is the first time. So, often their reaction is, ‘Well if you were any good, you wouldn't be here asking me for money.’ Because they don't understand the market size problem in Canada, they don't understand the positioning within the market and how that makes it difficult to sell advertising. So we've had to, and we continue to have to, undertake a huge education program. Once they get it, they get it.⁷³

While no one at The Walrus would argue against the idea that writers deserve to be paid for their work, the resources simply are not there.* It is a fair enough question to ask why none of the \$20,000 was allocated to cover payments to

* It should be restated that *The Walrus* pays all writers whose work appears in the magazine, at competitive rates.

writers but The Walrus Foundation had decided to allocate that money elsewhere, and that is its prerogative. But if the decision has been made to not pay writers, the onus is then on The Walrus to make people aware of the value of donating — funds and/or content — to The Walrus in exchange for supporting a magazine that is vital to Canada’s literary and publishing landscape. Any staff involved in promoting The Walrus and its projects, or asking for ‘donations’ of this nature, must be aware of that sell-line when it comes to shaping their invitations for support.

CHAPTER FIVE

REVIEW AND ANALYSIS

5.1 IMPLICATIONS FOR THE WALRUS

The foundation model adopted by The Walrus is a well-advised strategy, evidenced by its latest financial statements as analyzed in Chapter 2, which show that without an additional revenue stream, the organization would be unable to break even on advertising and circulation revenue alone. While it is not the only option for additional funding, the foundation revenue meets that need. However, the fact that The Walrus Foundation is not able to rest on its laurels because it must constantly be seeking more donations, and more sponsorships, and more grants illustrates the fact that The Walrus has not yet reached a point of seamless operation within that model. One of the long-term goals of The Walrus is to build a cushion of financial security, which will allow the organization to rest a little bit in its fundraising activities, and will address many of the challenges that arise from its limited resources that hinder sweeping success in its endeavours.

In its current situation, The Walrus is concerned with picking up sponsorships and donations where it can. Twenty thousand here, fifty thousand there. Ultimately, however, The Walrus would like to build an endowment fund that would eliminate the harried nature of its current fundraising efforts.

My goal would be in five years or ten years, that we would have transitioned from fundraising to survive to fundraising to build an endowment and that one day some wise person in this country is going to remember The Walrus in her or his will in a major way, which would be transformative. If we could get some ten-million-dollar gifts — seems huge but I know people who gave ten million to the Art Gallery of Ontario.⁷⁴

It is not unheard of. *Harper's* received a multi-million-dollar endowment from the McArthur Foundation (headed by Harper's publisher John McArthur). Funds from that endowment make up the difference between its costs and the revenue it generates on its own. That is the position The Walrus wants to be in.

Part of getting to that place of being on the receiving end of the funds that people traditionally donate to art galleries, hospitals, or research foundations involves altering the public's perception of the worthiness of The Walrus as a donatable cause. It is difficult to pitch a magazine as a worthy recipient of donations when it has to compete for those funds against other causes related to social issues, health and broader branches of the arts (i.e. galleries, museums, theatres) and when, traditionally, magazines are understood to be profitable, self-sustaining enterprises. So, changes in perception need to happen among those in higher income brackets (i.e. those with disposable income and a desire to donate to worthy causes, like philanthropists) who may be potential donors but are not yet aware of the worthiness of The Walrus as a recipient.

Change should also occur closer to the ground level, among The Walrus's existing and potential readership, though not necessarily as a means to solicit additional donations. Increased awareness among potential readership may lead to higher circulation (if you are not made aware of the magazine, you will not read it). Generally, increased awareness of the magazine, its model, and its value builds *The Walrus's* reputation as a purveyor of high-quality and important content, and a worthy recipient of support, whether that comes in the form of a ten-million-dollar gift from a philanthropist or an unpaid submission to The Walrus Laughs from a reader.

Considerations Around Remaining Excellent

If The Walrus were able to build a multi-million-dollar endowment fund and get to a point where it will no longer have to fight to earn its way in the marketplace like the majority of magazines in Canada do, does it run the risk of resting *too* much and sacrificing its integrity and the quality of its magazine?

The Walrus never had the intent of earning its way in the marketplace, per se, (if you consider the traditional advertising/circulation revenue model as the backbone of that marketplace) as its sole means of survival — not because it didn't have to but because it decided it was a losing battle. Yet all the while The

Walrus has striven for excellence — something it can only afford to attain if it forfeits a reliance on the traditional marketplace. To suggest that if the foundation were to secure an endowment the magazine will have a problem remaining excellent implies that excellence is only attainable and sustainable through hardship — the more the better. Moreover, it implies that financial stability in itself is the endgame for people who strive for it. Surely those people and organizations exist, but few of them would be found in the Canadian magazine industry.

In the meantime, fundraising efforts, including sponsored projects, need to be executed in a manner that bears in mind the current position of the organization and the staff. Projects should be 1) carefully shaped in a way that truly minimizes the costs to The Walrus in terms of not just money but also time and effort, and 2) internally organized, planned out, and bought-into in a way that ensures their success in terms of brand reputation and editorial integrity, which helps grow that family of supporters.

5.2 **IMPLICATIONS FOR THE INDUSTRY**

Whether The Walrus's foundation model can be seen as a model for other Canadian magazine publishers to emulate is not quite clear. Some see The Walrus as an exception to the rule — an organization that jumped through hoops and got a lucky break from the CRA. Others believe The Walrus set a precedent, something the CRA generally respects, and that other publishers can more easily follow suit now.

A general-interest magazine like *The Walrus*, which brings forward important national issues — the discussion of which helps shape Canadian values — is important to Canadian culture and, considering the challenges it faces by relying solely on traditional revenue streams, government support for such a magazine is vital. Currently, the cost of that support to the government is either as grant expenditures or, less often but as in the case of *The Walrus*, as revenue loss through income tax exemptions by granting charitable status. Considering these two options, perhaps it is

in the industry's and the government's best interests to allow magazines to obtain charitable status. That way, magazines get a shot at an alternative approach to survival and the government supports Canadian culture without additional spending.

As it turns out, the CRA may be interested in revising its policy toward magazines as charitable organizations. In the fall of 2011, CRA's charities directorate invited arts and cultural organizations to comment on the CRA's proposed *Guidance on Arts Organizations and Charitable Registration* document.⁷⁵ If nothing else, this initiative may lead to clearer guidelines around what qualifies for eligibility and what does not. This would be a major improvement from the current guesswork involved around determining a magazine's eligibility for charitable status registration. Perhaps it is in The Walrus's best interest to seize this opportunity to offer guidance to the CRA around its guidelines for magazines' charitable status eligibility so that other magazines, and The Walrus going forward, need not contort their operations to fit the existing mandate requirements.

CONCLUSION

The Walrus is eight years old and in that time it has weathered many storms that threatened to be the end of it. Despite obtaining charitable status and a healthy new revenue stream through donations, *The Walrus* and its foundation are still very susceptible to inevitable and unforeseen challenges. The Walrus Foundation's ability to generate revenue through donations and sponsorships — without relying solely on advertising, circulation, and government support — serves as a life preserver that saw the organization through the economic recession and its associated drop in advertising, and continues to hold *The Walrus* afloat despite the obstacles du jour — this year's postal strike and grant losses.

The staff behind *The Walrus* is anxious to steer the magazine into calmer seas and a financially secure position, which certainly lies within the realm of possibility, but in the meantime, care must be taken to ensure the magazine and the foundation's limited resources are maximized while maintaining the editorial integrity that built the magazine's reputation in the first place. Careful internal planning is necessary every time a new project is committed to because, while securing the funds associated with them is a battle in itself, much of the demands on *The Walrus*'s own resources begin after the handshake.

The public awareness campaign that the Walrus staff knows needs to happen in the philanthropic community in order to build that much-needed endowment fund also needs to occur on lower levels, including internally. With adequate planning and awareness of the value each project brings to the organization as a whole, buy-in across the board is easier to obtain, which reduces the risk of drained resources and misused or unfocused efforts. Awareness of the importance of the foundation's work needs to be a part of everything that everyone on staff does, as does the awareness of the

importance of producing the high-quality editorial content *The Walrus* is known for. Neither of those comes about cost-free and without either of them, the other ceases to function.

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