



Online Journalism Enterprises: From Startup to Sustainability

By Jon Funabiki and Nancy Yoshihara¹

For online news sites the journalism is easy, staying online is the hard part. That's always been the case with startups, but now an increasing number say they are at or approaching a crucial crossroad because the grants that funded their creation are scarce to come by on the second or third try.

According to a Renaissance Journalism Center study, this is the situation faced by today's new wave of journalistic entrepreneurs. They are trying to fill the void left by mainstream newspapers and other outlets that have shrunk or died because of the near-collapse of the traditional advertising business model for journalism. With no proven handbook to lead the sites to new revenue streams, these news pioneers must rely on their own creativity and wits to create a sustaining operation. Many are pursuing the nonprofit fundraising route: private donors, sponsorships, memberships and events. Others are chasing the for-profit route, trying to find new ways to earn advertising and other revenues. Some are exploring hybrid operations.

The Renaissance Journalism Center, which is operated as a partnership between San Francisco State University's Journalism Department and ZeroDivide, conducted the study called "Online Journalism Enterprises: From Startup to Sustainability" to identify what, if any, challenges the entrepreneurs are facing on the business side of maintaining and growing their sites.² The center sought input from the leaders of a small, but diverse cross-section of news organizations. They were asked to respond to 20 questions utilizing the online service SurveyMonkey.com during the fourth quarter of 2011.

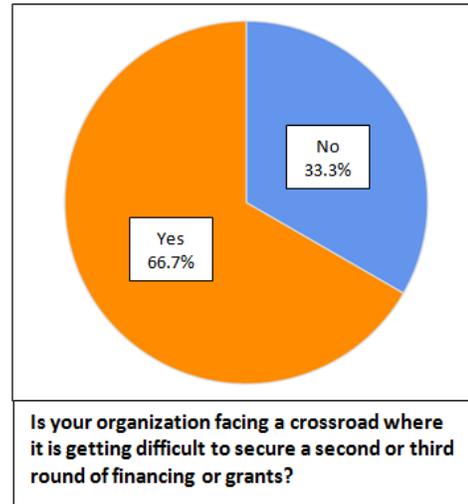
¹ Jon Funabiki is a professor of journalism and executive director of the Renaissance Journalism Center at San Francisco State University. Nancy Yoshihara is a journalist and consultant.

² The William and Flora Hewlett Foundation provided support for this study.

Thirty-two respondents (see list below) completed the questionnaire. As a group, they offered the characteristics that were desired for the study. They are geographically diverse, and 74.2% cover local/community news. Nearly half have been in operation three or more years. Most are non-profits that secured their initial funding in the form of foundation grants.

The entrepreneurs indicate they need help on two fronts:

- Grants are getting harder to come by for existing sites. Two-thirds of the study respondents said they are at or approaching a crossroad where it is getting difficult to secure a second or third round of grants or financing.
- As a result, the sites are in pursuit of new funding sources. Three quarters of the respondents indicated that they need help in identifying and connecting with new sources of investment and revenue in order to remain viable and grow their sites.



A sampling of the written responses to a study question sums up the state of affairs:

“We believe that the window for foundations' intense interest in funding journalism is probably limited, so we are intensely focused on how to be sustainable through earned income.”

“We have been 85-90 percent dependent on foundation support, and that support is declining.”

“Developing revenue, and revenue sources, sufficient to allow us to achieve sustainability and continue our mission of watchdog reporting in the public interest. We recently redesigned our web site to accept advertising. We view that as one piece of the revenue puzzle.”

Operating the sites is about money as much as journalism: 69% of the sites have a business plan and 72% have a board of directors.

The study showed that the typical management team is top-heavy with journalists compared to individuals with business and marketing expertise. The questionnaire asked the respondents to rate the degree of expertise that their senior management teams possess in journalism, business, advertising, marketing and online technology. Using a scale of 1 to 5 (with 1 representing “a little” and 5 “a lot”), 75% rated their board’s journalism expertise as a 5.”

In contrast, only about 13% of the respondents gave their senior management teams a 5 rating for expertise in business or advertising.

Nevertheless, the respondents said that journalists can make good business people. More than 86% said journalists can adapt and apply the discipline of business to an online venture.

To date, 69% of the sites rely on grants from journalism-oriented foundations for seed and continuous funding.

However as sites survive and evolve beyond journalism experiments, foundations are less interested in funding their operations. The news sites studied said they need to build new revenue sources and to network with potential new funders in order to achieve sustainability: 77% of respondents said introductions to funders investors and banks would help their organizations, and 70% wanted information about innovative revenue streams. They also wanted training in marketing, promotion and advertising as well as sharing of best practices.

The respondents indicate that the leaders need to be scrappy and resourceful to survive. A sampling of their comments:

We speak to everyone—VCs, other local site operators, journalism professors & researchers, foundation staff—Block by Block, J-Lab, have been very helpful.

The local journalism school has given me access to their professors and alumni. I've been invited to national roundtable discussions with funders and been introduced to a great network of support there. I helped to found a Bay Area online media association (SFBIG) and my contacts from my time in the national online sales world have lent great support. There are also angel investor groups here in Montana who have invited me to tap into their resources.

We are in constant communication with local journalism mavens in professional organizations such as the Society of Professional Journalists, the Northern California Media Workers Guild, and half a dozen local journalism schools where we have working relationships. We also have strong ties to Columbia Journalism School. The Knight Digital Media Center at UC Berkeley has helped train two of our volunteers. We are also members of the Investigative News Network, which has made great strides in coalescing similar groups around the country and disseminating best practices.

Highlights of the study include:

The type of journalism:

- Local/community news is the journalistic focus of 74.2% of the news sites. The rest cover regional/national news or specialized topics such as sports, arts, politics, government, investigative, etc.

As a business:

- Nearly two-thirds (65.6%) are recent startups.
- 71.9% are nonprofits
- 71.9% have board of directors

Management:

- 35% have a three-member senior management team; 22.6% have two members; and 22.6% have five or more members
- While journalists dominate management teams, members do have some experience in business, advertising, marketing and online technology.
- 68.8% have a business plan—31.3% do not
- 28.1% said it was extremely helpful having a business plan
- 57.7% said business plan helped to get funders or private donors

Lean organizations:

- 13% had 1 fulltime, paid person; 25% had 2-5 fulltime paid staff; 19% had 6-10 fulltime paid staff; and 19% had 11 or more fulltime paid staff. Many relied heavily on part-time staffers.
- 100% reported having volunteer, part-time staff ranging from 1 to 11 persons.

In summary, the study showed that news sites need expertise and assistance in developing diverse revenue streams because they can no longer rely solely on grants from foundations.

Study highlights are depicted in the following nine charts. A list of study respondents follows.

Chart 1: Journalistic Focus?

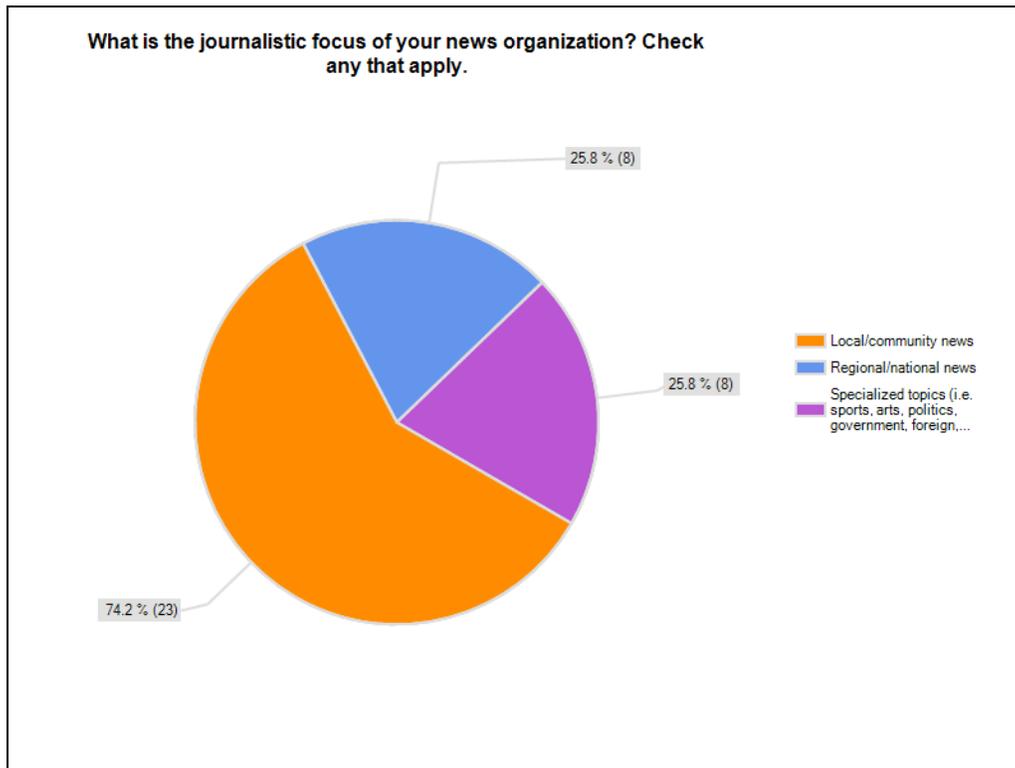


Chart 2: Recent Startup?

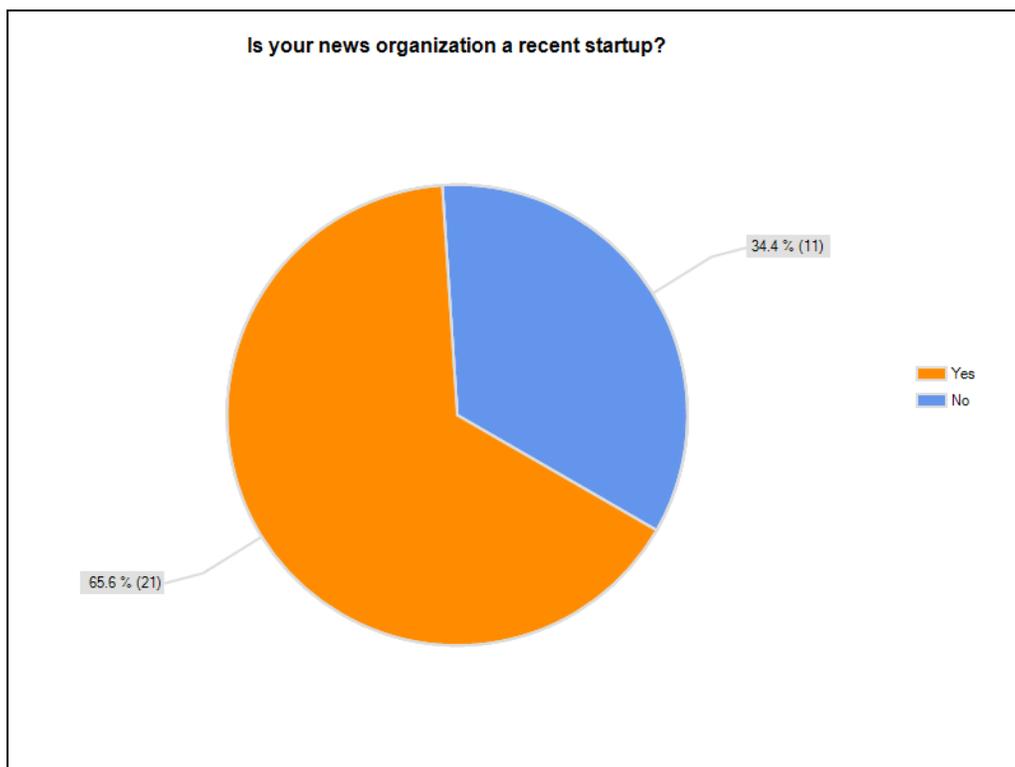


Chart 3: Years in Operation

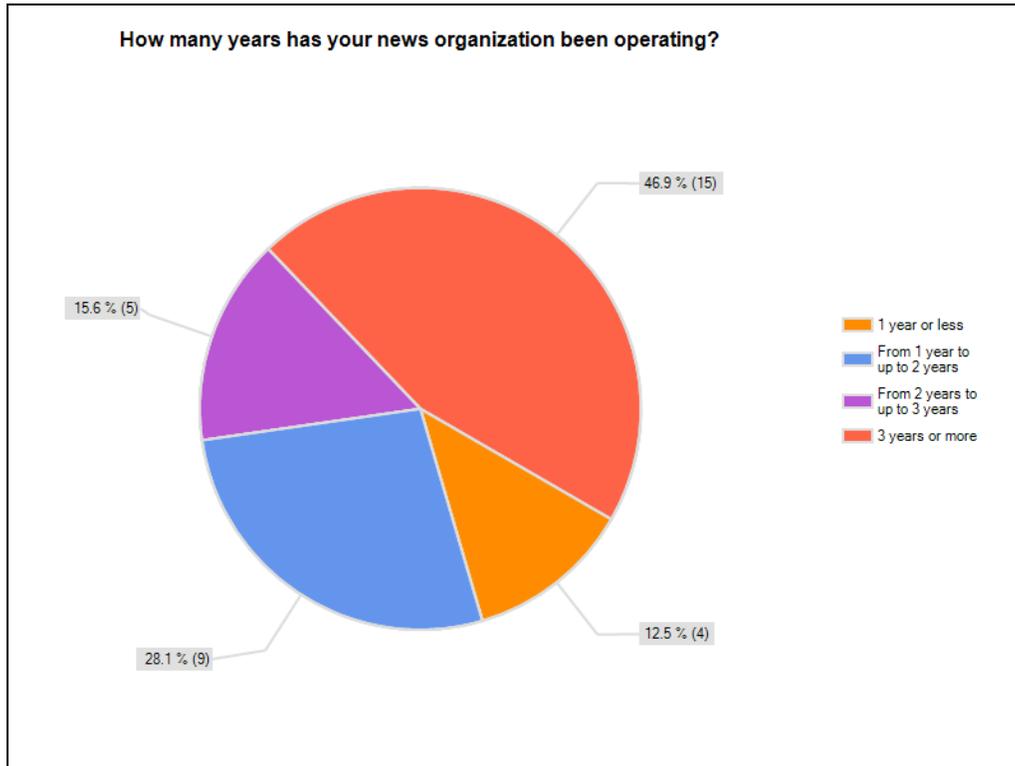


Chart 4: For-profit vs. Non-profit?

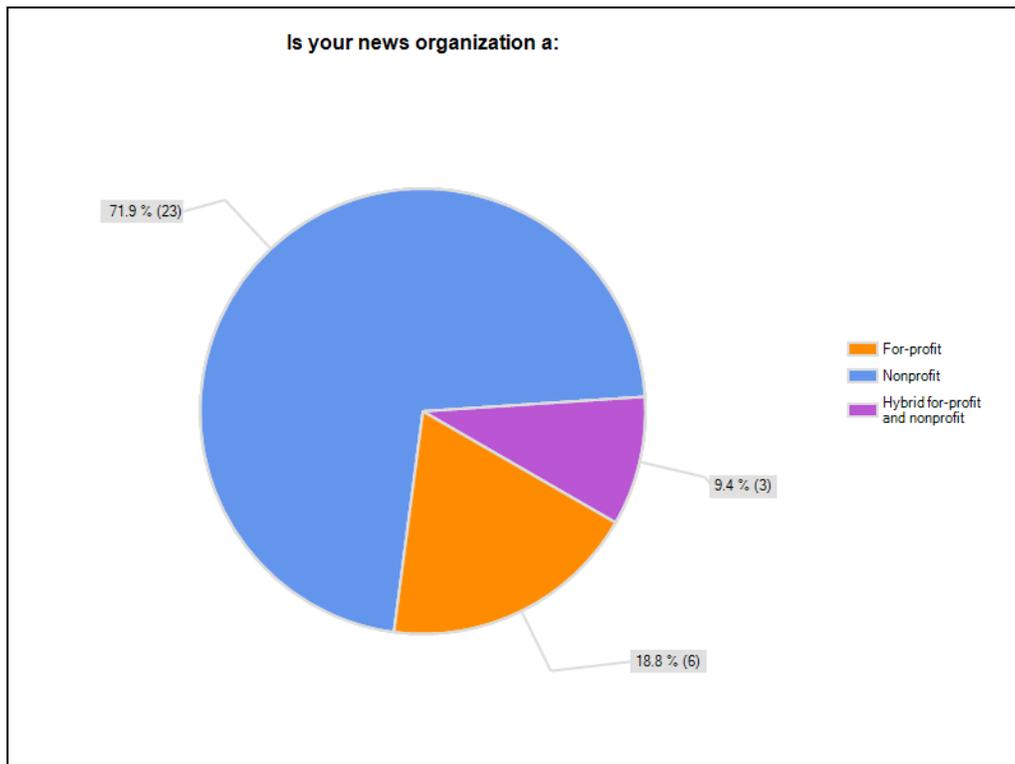


Chart 5: Major Revenue Sources?

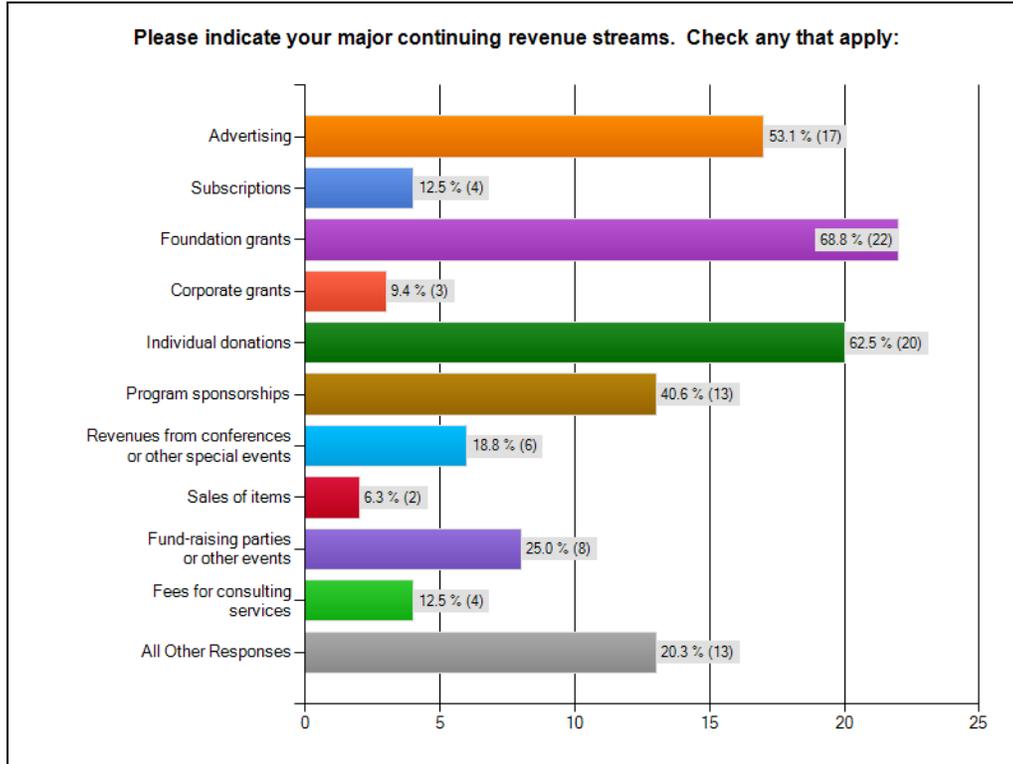


Chart 6: Expertise on Senior Management Team?

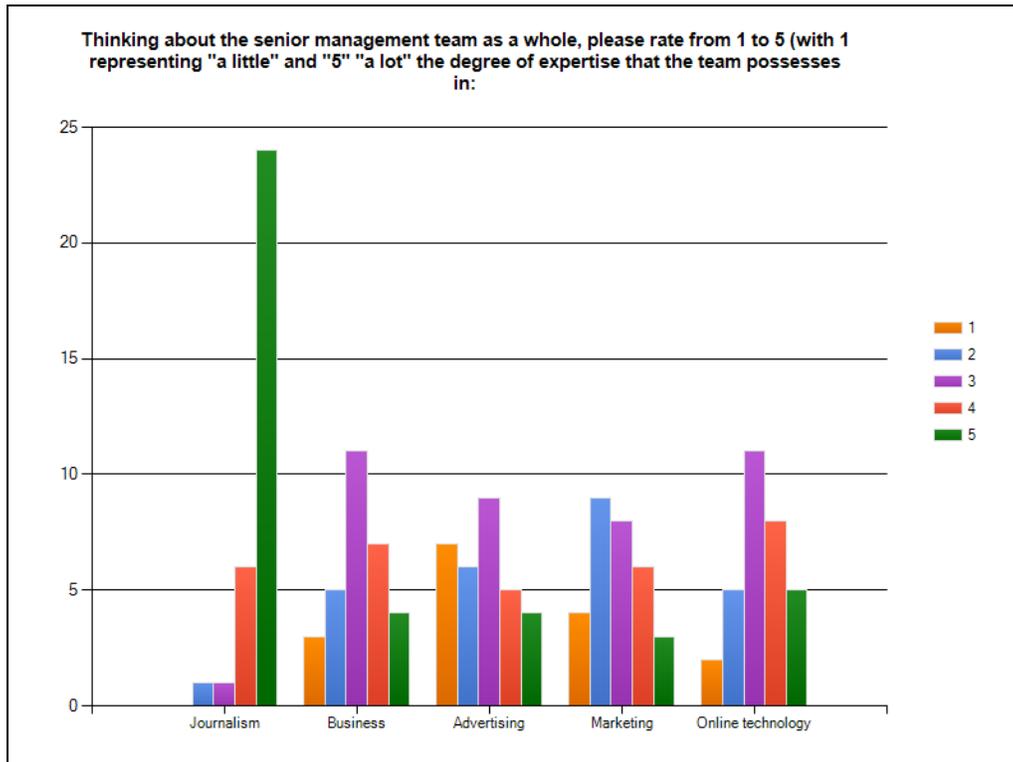


Chart 7: Facing a Funding Crossroad?

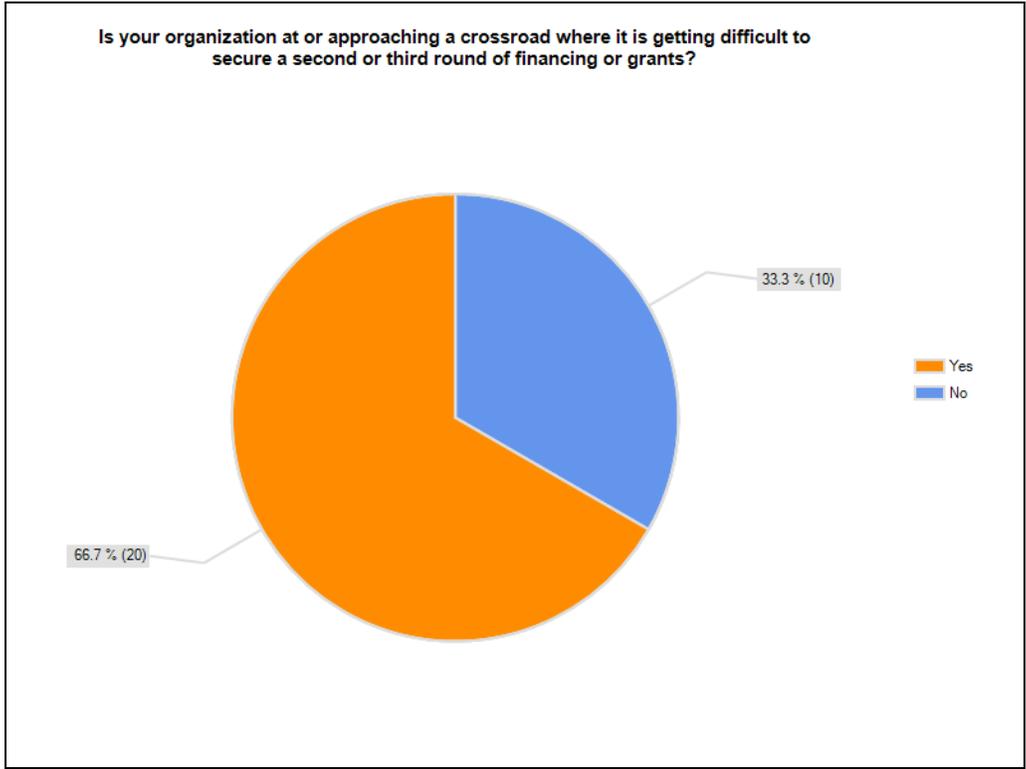


Chart 8: Importance of Business Plan?

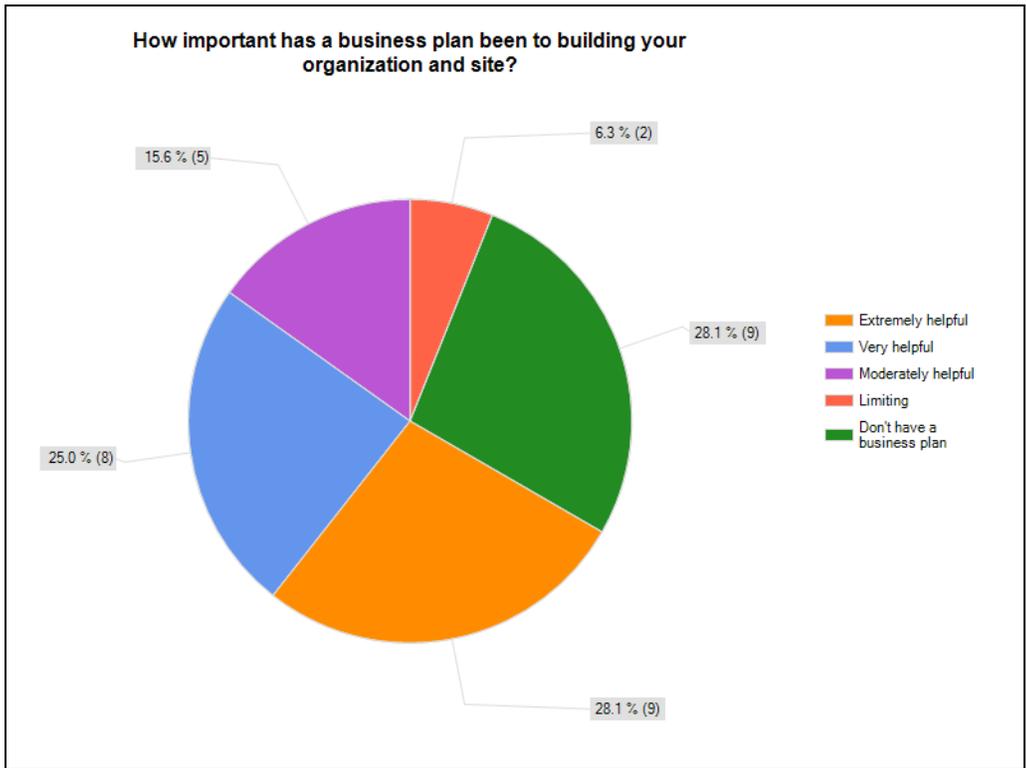
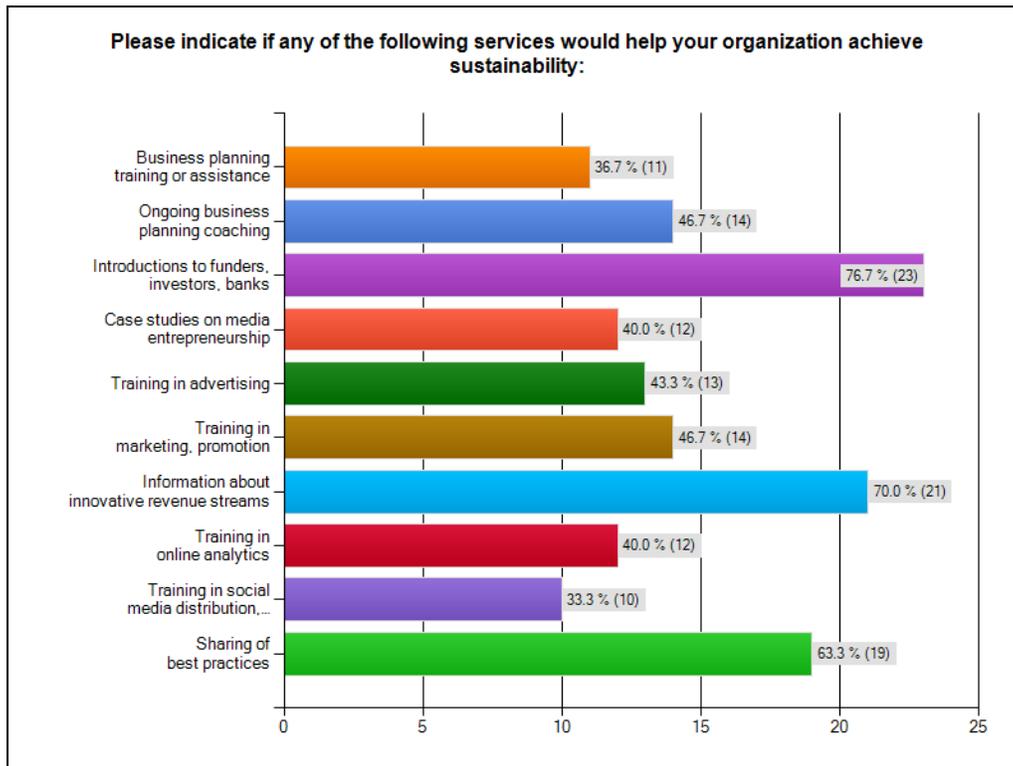


Chart 9: Business Development Needs?



Study Respondents*

Arcadia's Best <http://arcadiasbest.com/> conceptualized and launched in early 2007 by owner Scott Hettrick, spotlights and profiles the best people, places, activities, businesses, and new developments in Arcadia, California.

Austin Bulldog (<http://www.theaustinbulldog.org>) is a nonprofit independent online news site for investigative reporting in the public interest in Austin, Texas.

Bay Citizen www.baycitizen.org, founded in 2010 as a nonprofit, nonpartisan news organization dedicated to fact-based, independent reporting on civic and community issues in the San Francisco Bay Area.

Berkeleyside www.berkeleyside.com blends investigative reporting with community news and features to report on the people, issues, events, food and environment of an extraordinary East Bay city.

Broward Bulldog www.browardbulldog.org keeps watchdog journalism alive in South Florida by paying attention to and publishing important stories that otherwise go uncovered because of shifting priorities and lack of resources in the region's conventional media outlets.

Center for Public Integrity www.publicintegrity.org produce original investigative journalism about significant public issues to make institutional power more transparent and accountable.

Central City Extra www.studycenter.org (S.F. Study Center Inc. is the nonprofit) is a monthly newspaper for the Tenderloin, Civic Center and Sixth Street corridor. It is the first nonprofit neighborhood newspaper in San Francisco and the only one whose professional journalists also can report from a community service perspective.

Chicago News Cooperative www.chicagonewscoop.org/, founded in October 2009, produces public-interest journalism focused on Chicago, its politics and policy, culture and the arts, and the diverse communities of the metropolitan area. It publishes in The New York Times on Friday and Sunday.

Common Language Project www.clpmag.org is a nonprofit multimedia journalism organization housed in the University of Washington's Department of Communication. It focuses on international and local reporting and journalism in education.

El Tecolote <http://eltecolote.org/content> is the new multimedia website of the 41-year-old bilingual newspaper by the same name which was started to provide a vehicle of information and organization to the Chicano/Latino communities of the Bay Area, through our ongoing and timely coverage of issues.

Gross Pointe News www.grossepointenews.com is an independent, locally based non-profit website, committed to giving a voice to all Grosse Pointers by providing accurate, responsible reporting on important issues and encouraging community participation.

Health News Florida, www.healthnewsflorida.org was founded in March 2007 to inform the public on state and local health policy and finance issues as they develop.

I-News: The Rocky Mountain Investigative News Network www.inewsnetwork.org, provides independent, in-depth, investigative news online and its reports are distributed to a state-wide audience through the print, broadcast, online and mobile platforms of public television, public radio, newspapers, and ethnic media.

LA Public Media www.lapublicmedia.org will involve the testing and development of a new radio and multimedia service directed to an ethnically diverse and underserved 25-40 year-old demographic and, initially, will target the fastest-growing population group in the region, Latinos.

MinnPost www.minnpost.com was founded in 2007 with a mission to provide high-quality journalism for news-intense people who care about Minnesota.

Nichi Bei Weekly, www.nichibeijournal.com/nichibeijournal is a Japanese American, community-focused publication based in San Francisco. It is a non-profit ethnic newspaper, the first of its kind in the U.S. It covers national and international news, as well as community issues, sports, arts & entertainment and culture, as well as review films, food and books.

New West www.newwest.net is a next-generation media company dedicated to the culture, economy, politics, environment and lifestyle of the Rocky Mountain West

Oakland Local www.oaklandlocal.com is both a go-to media resource for diverse voices in the East Bay of California and a capacity-building tool to help low-income and under-served communities make their voices heard online through the hands-on media training.

OC180NEWS www.oc180news.com is a daily online news for West Orange County-Los Alamitos to Seal Beach-in Southern California.

Idea Lab www.pbs.org/idealab is a group weblog by innovators who are reinventing community news for the Digital Age. Each author won a grant in the [Knight News Challenge](#) to help fund a startup idea or to blog on a topic related to reshaping community news. The authors will use Idea Lab to explain their projects, share intelligence and interact with the new-media community online.

Spot.Us www.spot.us is an open source project of “community powered reporting” through which the public can commission and participate with journalists to do reporting on important and perhaps overlooked topics. It is a nonprofit project of the Center for Media Change.

St. Louis Beacon www.stlbeacon.org is a non-profit, online publication dedicated to news that matters for people in the region.

Sacramento Press www.sacramentopress.com aims to be the most comprehensive, local news source and information center for the Sacramento Metropolitan Area. It is a for-profit business.

San Francisco Public Press www.sfpublicpress.org is a startup nonprofit news organization in San Francisco that publishes public-interest news reporting with the help of more than 70 professional and volunteer journalists and nonprofit specialists.

Twin Cities Daily Planet www.tcdailyplanet.net is an online publication connecting citizens in the Twin Cities of Minneapolis and St. Paul with one another and with the global community. The Daily Planet is a project of the Twin Cities Media Alliance, a nonprofit organization dedicated to closing the digital divide and helping citizens empower themselves with media.

Voices of San Diego www.voiceofsandiego.org is a public-service, nonprofit news organization that focuses on in-depth and investigative reporting on politics, educational system, environment, housing, economy and more.

WyoFile, <http://wyofile.com/> is a nonprofit news service focused on the people, places and policy of Wyoming. Recognizing the rapid decline in resources among traditional news outlets, WyoFile offers supplemental in-depth coverage of complicated subjects and issues ranging from tax policy to trends in Wyoming culture.

*27 of 32 total participants; 4 did not give their names; 2 responses from different people at Twin Cities Daily Planet