

Getting Local: How Nonprofit News Ventures Seek Sustainability

October 2011

About the Report

This report is based on an extensive analysis of several nonprofit news sites conducted by Community Wealth Ventures (CWV), a management consulting firm that focuses on innovative approaches to the growth and sustainability of nonprofit organizations.

Knight Foundation commissioned the review as part of its broader programmatic efforts to explore how journalism that informs local communities and holds institutions accountable might survive and thrive in the digital age. The study examined the state of eight organizations in 2009 to early 2010 with particular emphasis on social impact, business strategy, economic viability, adaptability and capacity – all components of long-term sustainability.

The sites reviewed were The Bay Citizen (San Francisco), Crosscut (Seattle), MinnPost (Minnesota), New Haven Independent, St. Louis Beacon, The Texas Tribune and Voice of San Diego. An eighth site, Chi-Town Daily News, closed in 2009 while the study was under way.

Separately, Knight Foundation convened the first of two meetings bringing together leaders of nonprofit news sites from across the country in Austin, Texas, on April 26, 2010. The daylong meeting produced the report, “Seeking Sustainability: A Nonprofit News Roundtable.” Knight convened a second meeting of nonprofit news organizations and leading web entrepreneurs and technologists on May 6, 2011, in Miami.

Michele McLellan, a Knight consultant, collected updates on key data and activities from the seven active organizations in the CWV study, including 2010 revenues and expenses, and first quarter 2011 site analytics. McLellan and Mayur Patel, Knight vice president/strategy and assessment, wrote this updated report.

About the John S. and James L. Knight Foundation

Knight Foundation supports transformational ideas that promote quality journalism, advance media innovation, engage communities and foster the arts. We believe that democracy thrives when people and communities are informed and engaged.



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Details of each Site

Profiles of each of the eight news organizations may be found at knightfoundation.org.

The Bay Citizen

Chi-Town Daily News

Crosscut

MinnPost

New Haven Independent

St. Louis Beacon

The Texas Tribune

Voice of San Diego

THE NEXT FRONTIER

LOCAL NEWS NONPROFITS
AND THEIR SEARCH FOR
SUSTAINABILITY



ILLUSTRATION BY MATT BORS

FIND OUT MORE: KNIGHTFOUNDATION.ORG/GETTINGLOCAL/

1. Introduction

Amid the disruption of traditional local journalism in the United States, emerging nonprofit news organizations promise to fill important community information gaps – if they can sustain themselves.

As traditional media downsize, hundreds of new nonprofit news organizations are popping up – some promising, but others short-lived, well-meaning startups that failed to achieve community support or financial stability or both.

The new ventures defy easy description. They range in size and sophistication from large nonprofit investigative reporting entities that win journalism’s top awards to tiny community news outlets driven by volunteers. And they share local media ecosystems with a variety of new for-profits, everything from small entrepreneurial businesses to technology driven “content farms” to national-local systems like AOL’s Patch.

This report focuses on one approach: *nonprofit organizations with modest-sized professional staffs that provide news online about important local civic issues in geographically defined communities.*

Knight Foundation provided funding to several new nonprofit news organizations of this type as part of a wider exploration of how journalism that informs local communities and holds institutions accountable might survive and thrive in the digital age.

As part of that effort, Knight has engaged the leaders of new nonprofits in discussions about emerging learning and best practices. In 2009-10, Knight commissioned Community Wealth Ventures (CWV) to study eight nonprofit startups with a focus on their prospects for becoming sustainable. This report reflects that analysis along with updates and additional data collected in 2011.

This report contains insights and a comparative analysis of seven active ventures, including primary data on their audiences and site analytics, revenue sources and growth, resource allocation and capacity. Individual profiles of the organizations accompany this report and provide additional details.

In this Study

Eight Nonprofit News Organizations

The Bay Citizen

baycitizen.org

Chi-Town Daily News *

chitowndailynews.org

Crosscut

crosscut.com

MinnPost

minnpost.com

New Haven Independent

newhavenindependent.org

St. Louis Beacon

stlbeacon.org

The Texas Tribune

texastribune.org

Voice of San Diego

voiceofsandiego.org

For more detail on the featured nonprofit news organizations, see additional individual Nonprofit News Site Profiles at knightfoundation.org/gettinglocal.

* Site closed in 2009, while the study was under way.

These emergent ventures, often identified as prominent examples of a new breed of local news sites, share many features. They:

- Produce original content that follows journalistic standards and employ professional journalists.
- Use digital media to connect with geographically defined communities.
- Rely heavily on philanthropy to seed their ventures, but seek multiple sources of revenue.

That said, these ventures also reflect considerable variety. They are different sizes, see their audiences and their role in community engagement in different ways and have different budgets, revenue sources and sustainability plans.

None has yet developed a clear business model that defines how they create, deliver and capture value. But as a group, these organizations are making progress toward becoming sustainable and developing practices that are worth sharing with others interested in the future of local news.

2. Beyond the Cost-Revenue Equation: A Way to Think About Sustainability

Many simplify sustainability to mean high revenues and low costs. It's more complex than that. In a more holistic approach, Community Wealth Ventures points to three essential organizational elements that must be present in sustainable nonprofits: social value, economic value and organizational capacity.

Economic value – the way content and related activity can be monetized – is certainly one of the elements. But the other two are equally important. Capacity, for instance, means you are able to experiment and innovate and have a balance of expertise – business, journalism and technology – at the top of the organization. Social impact means that you know how to do more than just gather and distribute news; you also engage with your community and can see and measure what happens because of the information and engagement you create. *These three elements in combination often sit outside the comfort zone of traditional journalism.*

Critical Elements of Sustainability



Organized around this framework, this report explores the operations of nonprofit news ventures in terms of:

- **Social value creation** – Their ability to create or select unique, relevant content, and to attract, understand and engage citizens in ways that produce impact that can be measured.
- **Economic value creation** – Their ability to raise multiple revenue streams to support the creation of content and other activities that support the organization's mission.
- **Organizational capacity** – Their infrastructure, resource allocation and skills that enable the organization to adapt and innovate.

3. Social Value Creation

The nonprofit news ventures profiled here strive to provide relevant, credible local news that will encourage or inspire the residents of their communities to become more engaged in civic life. In general, the organizations are driven to respond to an industry gap – declines they perceive in the quality or quantity of local news coverage.

Highly invested in the civic health of their communities, each is experimenting at different levels with deepening their relationships with users. None has yet an established system for assessing its overall social impact – an issue all journalism organizations struggle with because of the lack of clear measurement and evaluation standards in the field. Instead, they rely mostly on Web traffic, social media data and anecdotal information.

a. Mission and Audience: Who are the sites trying to reach?

In disrupted industries, most successful new models strongly respond to a customer need. For nonprofit news organizations, understanding and engaging with audiences is critical to their sustainability. *A focus on replacing content that is no longer provided by traditional outlets is a disadvantage if it prevents an organization from focusing on users and adapting to their changing needs.* A close connection between news providers and their communities helps sharpen mission alignment, create social value and generate revenue by converting loyal users into paying members or donors.

The seven sites primarily define their audiences geographically by the boundaries of a city or region. For example, [the Beacon](#) seeks to serve the St. Louis region and [MinnPost](#) the Minneapolis-St. Paul region primarily and the state of Minnesota. [Voice of San Diego](#) is typical. It defines its audience as: “San Diego residents who are interested in local quality of life issues.”

Meeting the needs of an audience defined largely by geographic community can be difficult in the digital age, as general circulation newspapers are learning. Today, digital news can be targeted all the way down to the level of the individual, and news consumers expect ready access to specific information they seek without having to work through a clutter of news that doesn't interest them.

Two sites define their audience by specific topics or demographic groups. [The Texas Tribune](#), based in that state's capital, targets a niche audience of people who are highly interested in state politics and policy. [The Bay Citizen](#), which targets San Francisco Bay Area residents using demographic and psychographic data, tries to reach two groups in particular:

- Highly educated, financially comfortable, 45- to 55-year-old residents, who are engaged in their community and are avid news consumers.
- Tech-savvy 35- to 45-year-old news consumers who use the Web as their primary news source and are active on social media.

Organization	Primary Target Audience	2009 Market Size (ESRI*)
The Bay Citizen	Residents of the nine counties that make up the Bay Area, with a focus on two segments separated by age, income, and news and Internet habits.	6.8 million
Crosscut	Educated, open-minded, intellectually curious, Seattle-oriented readers, ages 25 and up.	3.4 million
MinnPost	News-intense residents of the Twin Cities.	4.5 million
New Haven Independent	Residents of the city of New Haven (New Haven edition) and the lower Naugatuck Valley (Valley edition).	226,000
St. Louis Beacon	Civically engaged residents of the St. Louis region, including the city and surrounding counties in Missouri and Illinois.	2.85 million
The Texas Tribune	Residents of Texas who have a stake in the practice of politics and the implementation of policy. The team also refers to its main target customers as "serious-minded citizens."	24.9 million
Voice of San Diego	San Diego residents who are interested in local quality-of-life issues.	3.1 million

* Environmental Systems Research Institute (ESRI) estimates for the geographic market served by each site.

The profiled organizations rely mostly on informal opportunities to track and understand their audiences' behavior and preferences. These include:

- Regularly mining user comments on stories to understand reader views and opinions.
- Hosting membership coffees, where readers and community members are invited to share their feedback and insights with the newsroom.
- Analyzing social media data such as Facebook "likes."

Some organizations are experimenting with more structured ways of studying their audience, such as focus groups and audience surveys. For example:

- [Voice of San Diego](#) analyzes the more than 6,500 subscribers to its Morning Report – a daily email in a conversational tone with excerpts of articles from the day and links to full content – and sees this group as indicative of its larger market.
- [The Bay Citizen](#) has conducted several focus groups of its members to inform site design and usability as well as content and membership strategies.
- [The Texas Tribune](#) and [MinnPost](#) have conducted audience demographic surveys.
- The [St. Louis Beacon](#) conducts surveys after in-person events, and has built a tool that tracks metrics specific to users who opt to receive the site’s newsletter.

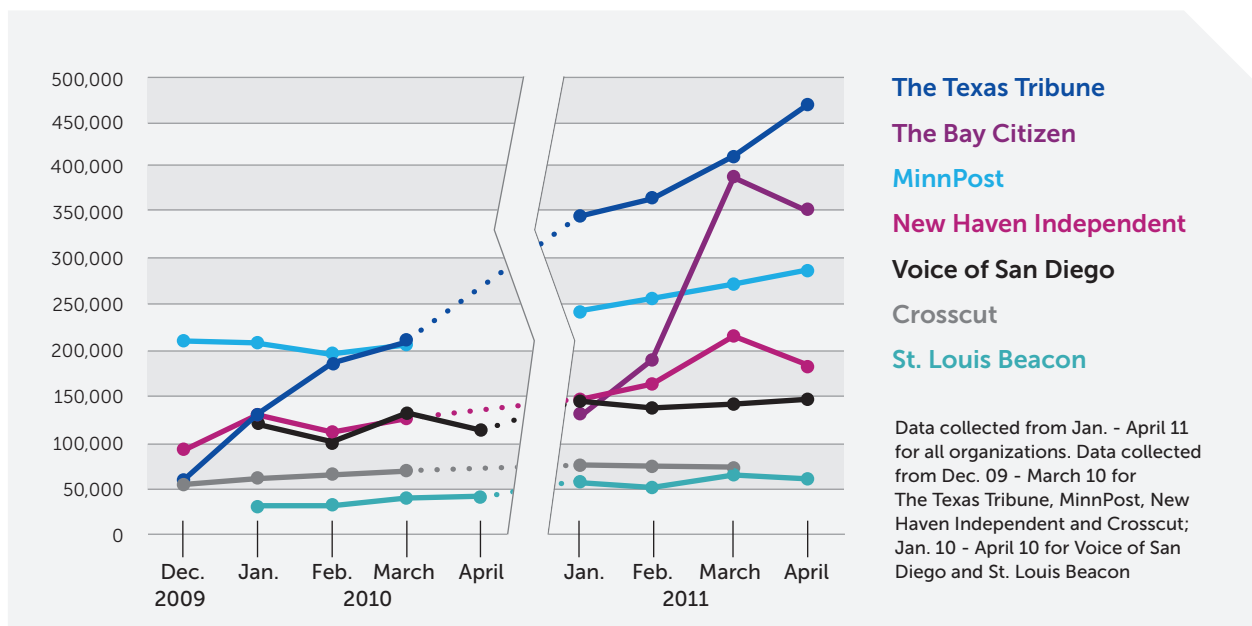
Developing more sophisticated ways of understanding both customer interests and organizational value provides an opportunity for creating products and services that offer a greater potential for sustainability.

b. Reach and Engagement: Are they attracting users?

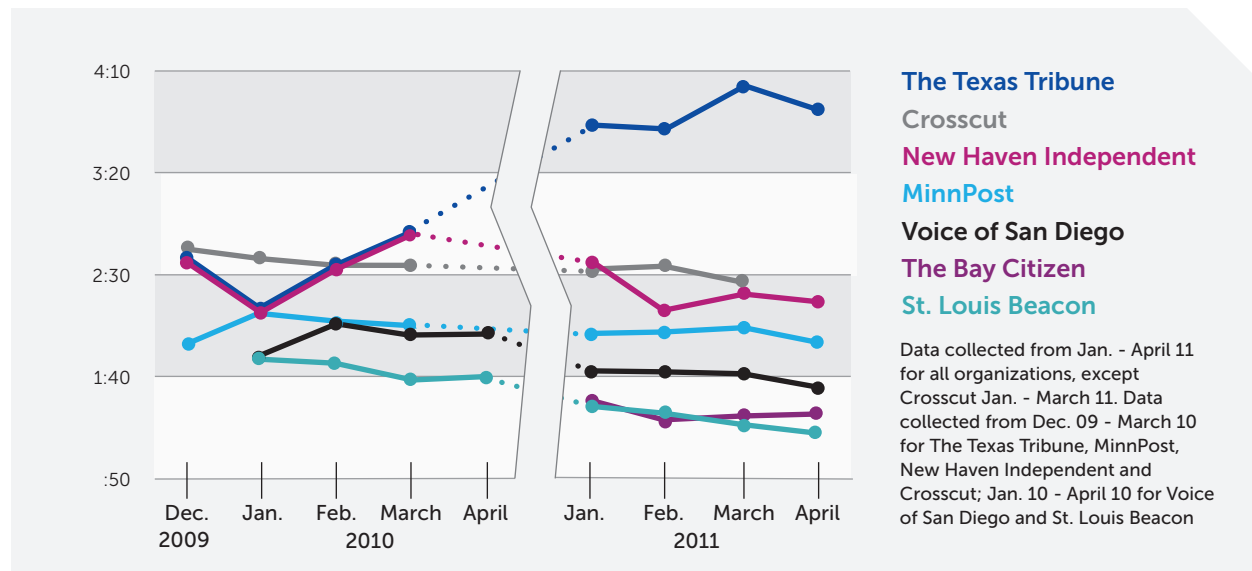
Together, the seven sites attracted an average of nearly 1.35 million unique monthly visitors in the first four months of 2011 – an increase of more than 50 per cent over the previous year. All sites reported traffic growth between 2009 and 2011.

[The Texas Tribune](#), a newcomer launched in 2009, reported the most traffic, averaging nearly 400,000 unique visitors in the first four months of 2011. The Tribune also saw the greatest growth, more than doubling its traffic from about 200,000 unique visitors in March 2010 to 407,000 in March 2011.

Reach and Site Analytics Unique Visitors (Monthly Average)



Reach and Site Analytics Minutes on Site (Average)



In addition to reach, the average time spent on a site can be a strong predictor of audience engagement. Time on site ran as high as nearly four minutes at [The Texas Tribune](#) in early 2011; other on-site times ranged from one minute and 20 seconds to two and a half minutes. Time on site at [The Texas Tribune](#) increased by more than a minute between early 2010 and 2011. Time on site for [MinnPost](#) was steady between 2010 and 2011 at just over two minutes. Other sites saw small declines.

The general shift away from simply delivering news to an effort to engage readers or users online is a challenge for both traditional and emergent news organizations. Engagement is particularly valuable to nonprofit news sites; it is critical to their missions of community impact and provides opportunities to attract and retain potential members and donors by creating social value.

Several of the sites are experimenting with new efforts to engage their audiences both on the Web and offline as a way to build stronger user communities. For example:

- **Voice of San Diego** hired an **engagement editor**, whose role is to increase the visibility of the site and deepen its connection with users. VOSD also created new features, including Behind the Scene, an online arts blog managed by a journalist, where community members discuss art and culture. In 2011, VOSD also launched a major community event – **Politifest 2011**, which includes a mayoral debate and an “idea tournament” like American Idol, as well as a member survey to query members on controversial issues of the day.
- **MinnPost** added a **journalist who specializes in data and crowd sourcing**. With this new capacity the site produced its first interactive content, **You Fix the Budget Deficit**, which attracted more than 10,000 visitors.
- **The Bay Citizen** has sought to engage citizens through the innovative use of **high-impact data applications**, including building a Bicycle Accident Tracker that tapped into the needs of the Bay Area’s active bicycling community.

- **New Haven Independent** has fostered a robust commenting community around civic issues such as education by posting strict guidelines for engagement. The Independent also engages readers in more practical and fun ways, such as twice-a-year contests to see who can discover the most typographical errors on the site. The Independent keeps track of readers who email the most typos on a leader board and gives branded mugs to the winners.
- **The St. Louis Beacon** hosts a monthly Beacon & Eggs discussion of neighborhood development issues and bimonthly Barroom Conversations about race and class as part of its efforts to bring individuals together. In 2010, it started an annual Beacon Festival with arts, music and literary events to engage citizens in the St. Louis region.
- **Crosscut** is creating a Citizen Activation Engine, an online tool it hopes will foster wider involvement in issues that interest its readers.

Identifying and quantifying more engaged users may be critical to a site's revenue strategies. For example, donors and members may want to support local engagement as opposed to underwriting content accessed from around the country through search engines. Similarly, as commercial news operations are learning, advertisers may derive more value from a smaller number of highly engaged users who see their ads more frequently and associate them with support for the site.¹

c. Measuring Impact: Can they show they matter?

Creating and demonstrating social impact is a core role of any nonprofit organization and tied to the question of sustainability. Nonprofit news sites are no exception. A sizeable part of the current and anticipated funding comes from foundations and donors who are increasingly focused on community impact. *Placing a strong emphasis on demonstrating social value creates opportunities to strengthen an organization's financial stability.*

The new nonprofit news organizations have clearly generated social impact in their communities. The [New Haven Independent](#)'s education reporting, for example, has helped hold the local school board accountable for its actions. Reporters took attendance at board meetings and showed that board members would be truant by the standards that apply to students; the coverage improved attendance from 50 percent to nearly 90 percent and prompted a communitywide drive for school reform. Likewise, the [Voice of San Diego](#)'s coverage of an impending forced eviction of Cambodian refugees from a local community garden helped generate greater attention, causing the city to ease its permitting process and allowing the garden to stay open.

As it facilitates conversations about difficult issues such as race and class, the [St. Louis Beacon](#) sees growing awareness and understanding among participants. But even the Beacon, highly invested in direct impact through its vision of being an "engine of engagement" in its community, faces a difficult task in showing precisely how its efforts to produce and share information contribute directly to local participation.

The struggle with impact measurement is one shared by all involved in journalism, with no clear standards by which to track the contribution of journalistic efforts and reporting success in the field.

¹ "Strengthening Our Core Readership," Gawker, 2010

Yet, the digital age provides new tools to track engagement and impact. Increasingly, journalism and media organizations are exploring different ways of measuring more engaged users, by looking at indicators such as: differing levels of user participation on the site (by looking at the conversion rates between people who view the site, comment and participate in online polls etc.), frequency of visits, a certain number of page views per visit, and brand identification (searching for the site by its url).²

[Voice of San Diego](#), [St. Louis Beacon](#) and [MinnPost](#), among others, are experimenting with a “loyal audience” calculation that captures their user engagement levels.

For example, rather than building a large audience, [MinnPost](#) is most interested in an “intense community” of 40,000-50,000 loyal repeat visitors who live in Minnesota. To that end, [MinnPost](#) pays greatest attention to visits and page views by Minnesotans. In early 2011, the site was averaging 288,000 visits and 605,000 pages views a month by Minnesotans. Minnesotans account for 60 percent of visits and nearly 70 percent of page views, as opposed to readers from outside the region. In addition, Minnesotans spend on average two minutes, 51 seconds on the site, about 45 seconds longer than other readers.

Sites must also develop ways to track how people engage off their website, through other channels such as daily emails or social media such as Twitter and Facebook. These measures commonly include: how much traffic is coming to the site from social media; the growth in fans and followers around specific topics or activities; the diffusion of content, such as the percentage of articles shared and who is sharing content and where; and the sentiment people express about the content through their comments and tweets.³ [Voice of San Diego](#), for example, tracks growth in active Facebook fans, which numbered nearly 3,000 in April 2011, as well as what people are saying about the site.

News sites might demonstrate their social value by using online surveys to examine whether site users have a higher awareness of local issues or are more motivated to join civic debates and follow important community events. News organizations might also track changes in actual behavior – such as people attending more public meetings, tweeting and posting articles to social networks, reporting greater participation in local organizations or support for legislation as a result of investigative reporting.

² “Getting beyond just page views: Philly.com’s seven-part equation for measuring online engagement,” Nieman Journalism Lab, Oct. 26, 2010. “A resource for newsrooms: Identifying and measuring audience engagement efforts,” Mayer, J., and R. Stern, Reynolds Journalism Institute, 2011.

³ “IMPACT: A Practical Guide to Evaluating Community Information Projects,” Knight Foundation and FSG, 2011. “Investing in Impact,” Center for Social Media and The Media Consortium, 2010

4. Economic Value Creation

Most sites relied heavily on foundations or large donors or both to get started, but have since experimented, with varying degrees of success, with multiple revenue streams, including membership, advertising, events and sponsorships.

a. Revenue Generation: How much cash are they raising?

The sites raised a total of \$18.8 million in 2010. [Crosscut](#) reported just over \$473,000 in revenue in 2010, while [The Bay Citizen](#) raised \$11.27 million in its first year of operation.

2010 Revenue by Organization

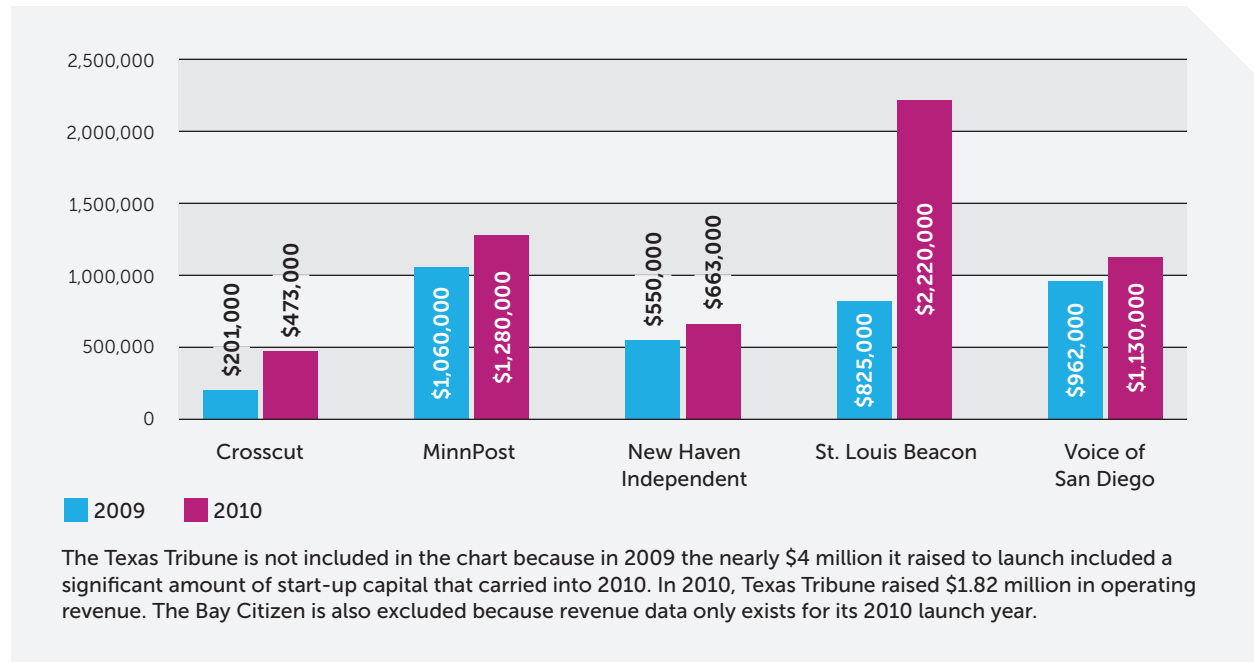
Organization	2010 Revenue
The Bay Citizen	\$11,270,000
Crosscut	\$473,000
MinnPost	\$1,280,000
New Haven Independent	\$663,000
St. Louis Beacon	\$2,220,000
The Texas Tribune	\$1,820,000
Voice of San Diego	\$1,130,000

In 2010, five sites saw annual revenue growth ranging from 17 percent at the [Voice of San Diego](#) to 169 per cent at the [St. Louis Beacon](#).

[Voice of San Diego](#), which has been highly opportunistic in developing new products and revenue streams, has had the most consistent revenue growth in recent years. Since 2007, the organization has grown annually by approximately \$100,000 to \$200,000. In 2007, the organization's operating budget was \$600,000, and in 2010 it topped \$1 million for the first time.

In 2010, [Crosscut](#) more than doubled its revenue to over \$470,000 on the strength of foundation grants; the [St. Louis Beacon](#) also more than doubled revenue to \$2.2 million with a capital campaign that drew major donations.

2009-2010 Revenue Growth



Growing revenue is not the same as financial stability. Ideally, nonprofit news ventures would have some surplus at the end of each year that could be used as a cushion in the following year. This would allow an organization increased flexibility and an ability to invest in growth and take more calculated risks.

[The Bay Citizen](#) and [The Texas Tribune](#) each amassed a large operating cushion in their first year of operation. The Tribune's 2009 fund-raising success of nearly \$4 million enabled it to spend more than \$2.8 million in 2010 as it experimented with more earned sources of income. Similarly, [The Bay Citizen](#) raised over \$11 million in its first year, but spent only \$3.6 million, creating a runway for experimentation in order to achieve sustainability by 2014.

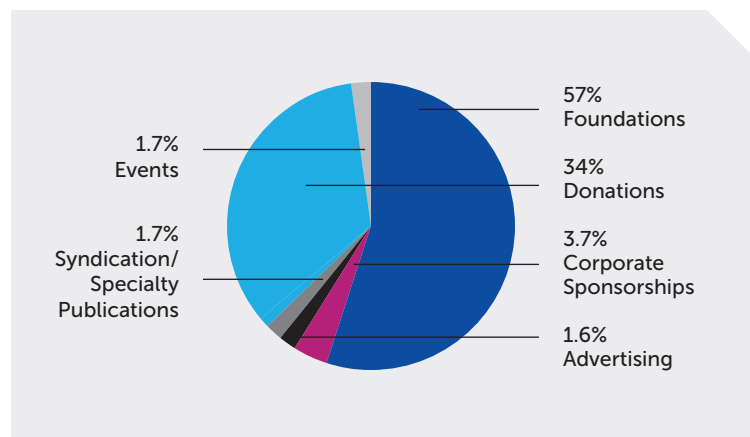
None of the sites reported deficits at the end of 2010. Some operate at thinner annual margins. [Voice of San Diego](#) reported expenses of approximately \$100,000 less than its \$1.3 million in revenues. In 2010, [MinnPost](#) reported its first modest surplus of \$13,000 on annual expenses of nearly \$1.3 million.

b. Revenue Diversification: What are their sources of support?

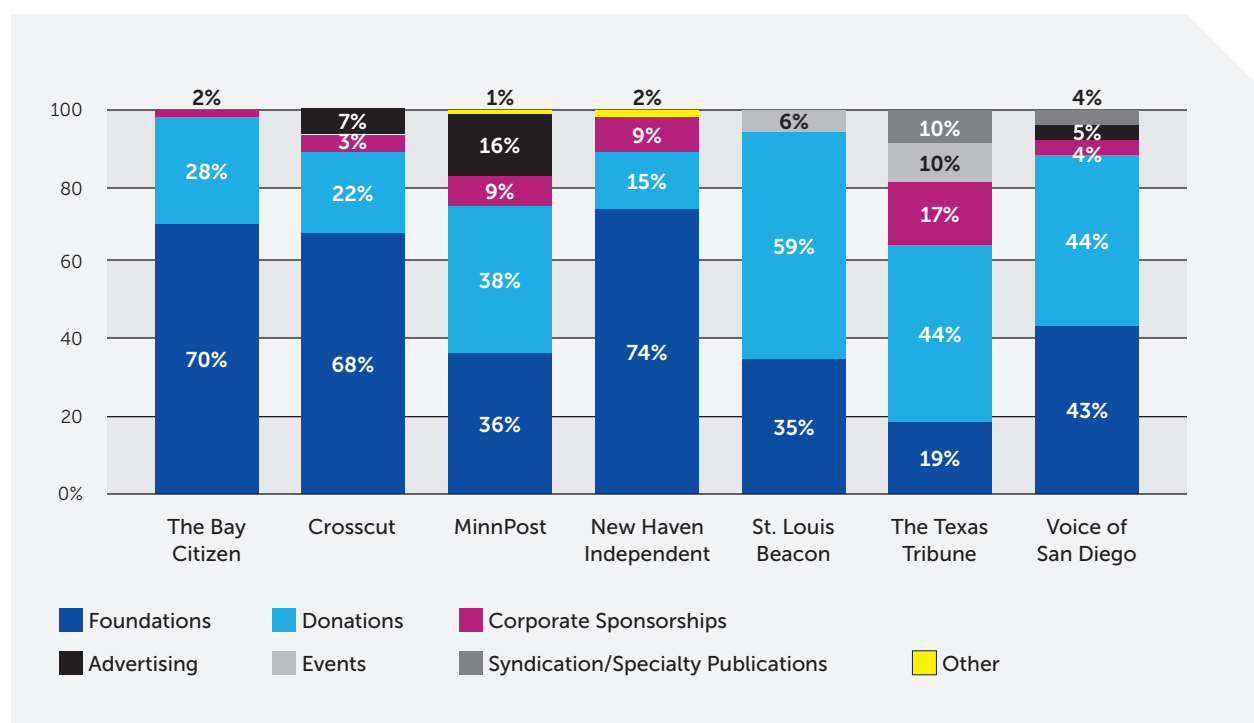
The strength of an organization's revenue base depends not only on the total amount of revenue, but also on the *consistency and diversity of its revenue sources*. These sources should be diverse enough to protect the organization from a catastrophic loss of one source, but not so diverse that the organization is spread too thin. The challenge nonprofit news ventures face is to focus on primary sources of revenue and maintain a diverse pool of customers within each of those sources.

As a group, the sites are heavily reliant on philanthropic or contributed sources, such as foundation grants and donations and gifts from individuals, for their revenue. In 2010, the seven sites obtained more than 90 percent of their revenue from contributed sources. Nearly \$10.8 million, or 57 percent of their revenue, came from foundations and another \$6.44 million, or 34 percent, from donations by individuals. Only 8.7 percent of their revenue came from earned income sources, such corporate advertising, sponsorships, content sales and events.

2010 Revenue Sources - \$18.8 million



2010 Revenue Sources - \$18.8 million



The [Bay Citizen](#), [Crosscut](#) and the [New Haven Independent](#) were most reliant on foundations (ranging from large national foundations to smaller family or individual foundations) – each reported that more than two-thirds of their 2010 revenue came from foundations. [The Texas Tribune](#) had the lowest share of revenue from foundations, only 18 percent. [Voice of San Diego](#) significantly reduced its reliance on foundations in 2010 to 44 percent of total revenue, compared to 70 percent from foundations in 2009.

Individual Donations

Donations are a second significant source of income for the profiled sites. They range from large gifts to smaller amounts that often are tied to membership programs. In all, donations accounted for 34 percent of revenue for the seven sites, a total of \$6.4 million.

In 2010, [The Bay Citizen](#) raised \$3.15 million in donations as part of its campaign to launch, and the [St. Louis Beacon](#) raised nearly \$1.3 million as part of a capital campaign. Other sites raised approximately \$102,000 ([New Haven Independent](#) and [Crosscut](#)) to more than \$800,000 ([The Texas Tribune](#)).

The number and amounts of individual donor contributions vary significantly.

Some sites were attracting large donations of \$5,000 or more. For example, in 2010, [The Texas Tribune](#) reported that 85 percent of its donations were in this category. Similarly, the [St. Louis Beacon](#) reported that 94 percent of its 2010 revenue from donations came from seven individuals who contributed an average of \$173,823 for a total of more than \$1.2 million. [Voice of San Diego](#) reported that nearly 83 percent of donations came from nine large donors giving more than \$417,000 total.

By contrast, [MinnPost](#) and [Crosscut](#) drew more on smaller donations. Thirty-four percent of all donations to [MinnPost](#) and 71 percent of all donations to [Crosscut](#) came in amounts of less than \$1,000. [MinnPost](#)'s average small donation was \$104 and [Crosscut](#)'s \$108.

Some sites have noticed a disconnect between their donor base and individuals who actively engage on their site. Their larger donors tend to be older and don't frequently interact with their site, while the audience members who are most engaged – those who comment on or share stories through social media – tend to be inconsistent donors and give less, if at all. Generational shifts associated with charitable giving and news consumption are no doubt some of the factors behind this paradox. Deeper and more targeted engagement of younger audiences may be one approach to increasing their willingness to contribute and to ensuring a broad base of donor support.

Nonetheless, all the profiled organizations want to grow their individual donor-membership model as a long-term source of revenue, and are seeking ways to improve their donor cultivation and management capacity in this area. In raising money, many of the sites have taken a personal approach to relationship development and donor cultivation. For example, the [St. Louis Beacon](#) produces a donors' newsletter that provides an insider's view to the organization. The organization also uses community advocates to speak on its behalf; both large and small donor campaigns, such as Back the Beacon, draw heavily on testimonials and are built around the idea that the advocates can effectively and passionately tell the Beacon story.

Interestingly, the sites define their members differently and provide varied member benefits. Some treat individual contributors simply as donors who provide gifts without receiving services in return; others offer membership benefits tied to their product in exchange for supporting their organization. For example:

- [The Bay Citizen](#), with more than 3,100 members, defines a member as anyone who has given at least \$50 and in return gets access to the member area of the website that contains the member newsletter and member benefits such as discounts at local institutions.
- At [Voice of San Diego](#), members receive invitations to monthly coffees, discounted or free admission to special events and recognition on the website. Members at the \$250+ level get a copy of the organization’s new photo book produced by staff. Members at the \$1,000+ level receive complimentary banner advertising for themselves, their company or a nonprofit of their choice.
- Texas Tribune memberships start at \$10 per year for students and range as high as \$5,000 annually with a three-year commitment. Depending on the membership level, benefits may include TribMonth, a monthly round up of the Tribune’s best material; an invitation to an annual cocktail party with Tribune reporters, invitations to exclusive events; and the opportunity to promote a favorite nonprofit on the website.

2009 and 2011 Membership by Organization

Organization	2009	2011	Change
The Bay Citizen	n/a	3,150	n/a
Crosscut	600	650	8%
MinnPost	1,220	2,400	96%
New Haven Independent	44	n/a	n/a
St. Louis Beacon	300	293*	-2%
The Texas Tribune	1,400	2,255	61%
Voice of San Diego	1,024	1,261	6%

* St. Louis Beacon tracks what it terms ‘donors’, rather than individual members.

Earned Revenue

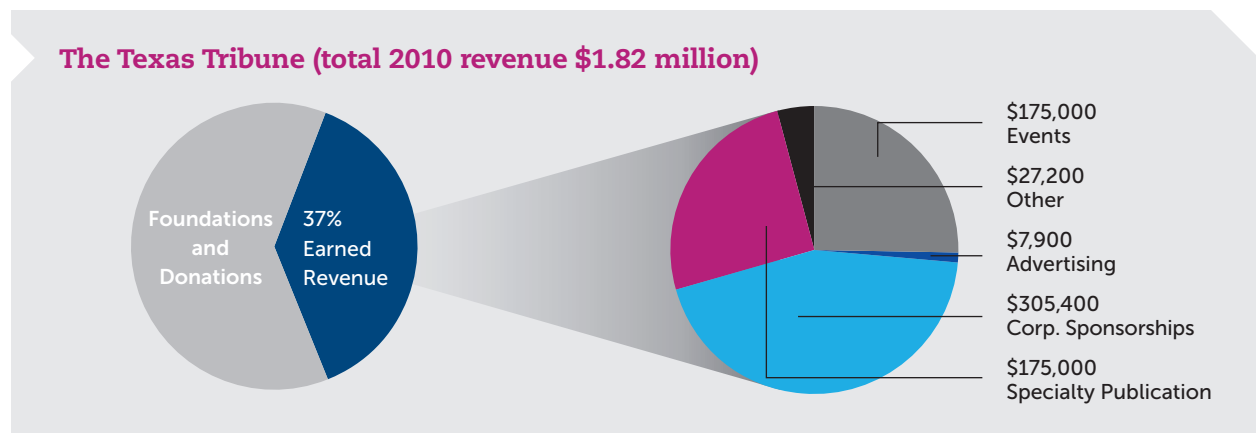
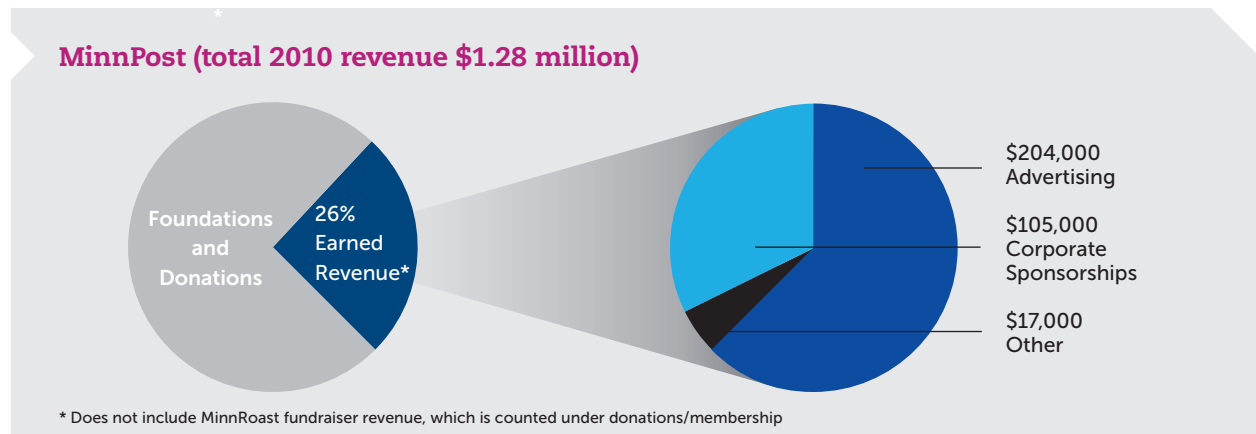
In addition to broadening their donation base, the profiled sites are looking to develop earned revenue sources, such as events, advertising and corporate sponsorships. These income streams accounted for more than 8.7 percent of total revenue, or \$1.64 million, up from 4 percent the previous year.

Earned revenue streams that demonstrate a meaningful connection to customers are critical to long-term stability and sustainability. Depending upon foundation funding for core operations is not advisable for a number of reasons: foundation priorities or staff may change, their budgets may come under strain or they may become concerned that their giving is distracting the nonprofit from seeking overall sustainability.

MinnPost, one of the oldest sites, and **The Texas Tribune**, one of the newest, achieved the most revenue diversity at the end of 2010 compared to the other sites. **MinnPost** drew about one third of its revenue of \$1.28 million from a combination of corporate sponsors, corporate ads and its annual MinnRoast benefit. The MinnRoast event is focused on the local community and combines a cocktail reception – including silent auction and raffle – with a theatrical revue making fun of local media and political figures in various skits. Attendance at the benefit, which includes a mix of professional performers, media and political personalities, and **MinnPost** staff, has grown from 420 people in 2008 to more than 700 in 2010. Last year, the event grossed an impressive \$135,000, with a \$93,000 in net revenue, which **MinnPost** counts as part of its membership efforts.

The Texas Tribune, meanwhile, has rapidly diversified its revenue base from a heavy reliance on donors at the time of its launch in 2009, to a revenue portfolio that drew more than one-third of revenue from earned income sources such as events, corporate sponsorships and specialty publications in 2010.

2010 Earned Revenue



Each profiled organization is experimenting with a range of different earned revenue sources:

Events:

- > **The Texas Tribune** reported about \$175,000 in revenue from events in 2010, nearly 10 percent of all revenue. In 2011, The Tribune expects revenues of about \$500,000 from ticket sales and sponsorships for its first Texas Tribune Festival, which will bring national and state experts together to discuss political issues facing the state.
- > **The Beacon** reported significant 2010 revenue from events, such as the Beacon Festival, which brought in about \$143,000, 6 percent of revenue.

Advertising and Corporate Sponsorships:

- > **The Bay Citizen** reported 2010 revenue from sponsorships of \$179,000, less than 2 percent of revenue.
- > **In 2010, MinnPost** reported the highest revenue among the group from selling advertising, just over \$200,000 (16 percent of revenue), and more than \$100,000 from recruiting corporate sponsorships (8 percent of revenue). Annual content sponsorships are positioned as an opportunity for local businesses and nonprofits to align themselves with **MinnPost** and connect with the reader base on a consistent basis. For a starting price of \$20,000 per year, these sponsors support and brand a specific content area. For example, in 2010 **MinnPost's** major sponsors included the Greater Twin Cities United Way, sponsors of the Community Voices (op-ed); UCare, a nonprofit health plan, sponsors of Second Opinion (personal health blog); Minneapolis Foundation, sponsors of Community Sketchbook (community development articles); and Marks Group Wealth Management, sponsors of Market Tracker in the business section.

Syndication:

- > **Voice of San Diego** collects fees from NBC 7/39, San Diego's local NBC affiliate, for providing on-air programming by VOSD staff. The content involves two weekly segments: San Diego Explained, which breaks down complex local issues to explain them with basic facts to help people better follow emerging news; and San Diego Fact Check, which investigates the accuracy of public assertions made primarily by public officials. In 2010, **Voice of San Diego** reported earning \$43,000 (4 percent of revenue) from this arrangement. The site initially saw the arrangement as a good way to gain exposure for its content, which ultimately turned it into a revenue source.
- > **The Texas Tribune and The Bay Citizen** derive income from content partnerships in which the sites produce content for the regional editions of The New York Times. These arrangements provide each site less than 0.5 percent of its revenue. **The Bay Citizen** has also created additional content partnerships with 24 local news providers and a local radio station.

Revenue streams for such syndication partnerships may be relatively small. But they offer wider exposure and branding opportunities for sites. **The Bay Citizen's** relationship with The New York Times, providing biweekly coverage for the Bay Area edition, gives the new organization the credibility of a respected industry partner, as well as access to a list of 65,000 subscribers to mine for local memberships and donations.

Subscription and Print Publications:

- > **MinnPost** produces an annual print publication, Best of **MinnPost**, highlighting the best of the organization's work during the year. Ten thousand copies are distributed annually, primarily through a partnership with a local coffee shop chain. More than \$14,000 in ads were sold for the 2010 edition; direct costs were approximately \$5,000.
- > **Subscription revenue from Texas Weekly** (a state politics and government newsletter) accounts for nearly 10 percent of revenue for **The Texas Tribune**.

5. Organizational Capacity

A key aspect of a nonprofit organization’s sustainability is its ability to adapt and innovate, and to allocate resources in ways that allow for the continued creation of social value.

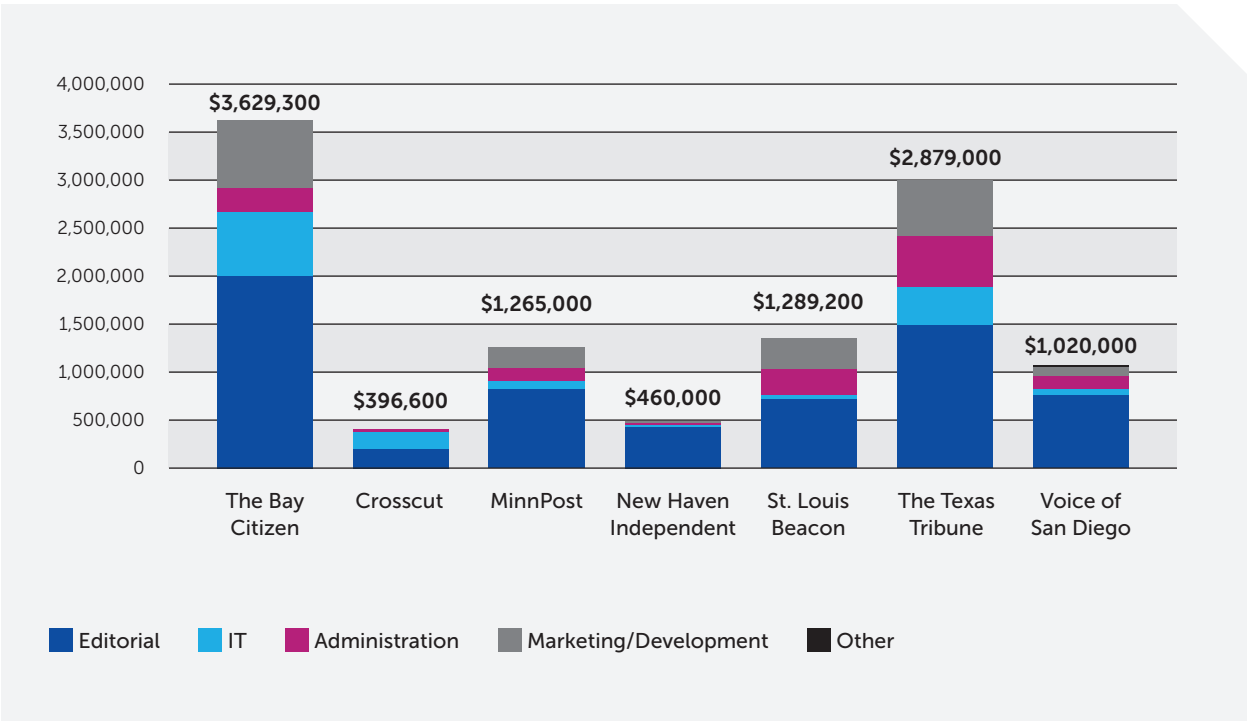
News ventures require a strong mix of capacities across editorial, business development, marketing and IT. Organizations that are heavily invested only in short-term priorities – writing large numbers of stories, for example – may attract attention for a time but will be limited in their ability to experiment and develop business strategies to sustain themselves in the long term.

a. Resource Allocation: How are they spending their money?

Together, the seven sites spent nearly \$11 million in 2010, compared to \$6.9 million in 2009. (About half of the increase came from [The Bay Citizen](#), which launched in 2010.)

Focused on creating high-quality journalism, most of the sites devote the great majority of their resources to the editorial side, leaving limited resources for business development, marketing and IT.

Resource Allocation



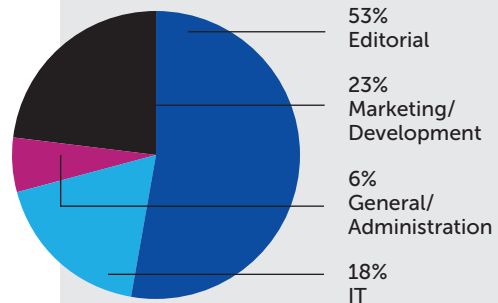
The [New Haven Independent](#) has the highest percentage of expenses devoted to editorial, 89 percent. [The Bay Citizen](#) had the largest dollar amount devoted to editorial, \$1.9 million. [Crosscut](#) devotes the largest share (47 percent) to administration and the lowest to editorial (45 percent).

Two sites, [The Bay Citizen](#) and [The Texas Tribune](#), stood out for a more balanced approach, spending only about half their budgets on editorial compared to other sites that devote much larger shares to editorial and/or administration. Together with their sizeable base of seed capital, this balanced approach has enabled the two sites to make significant investments in IT, marketing and development to support content and business innovation.

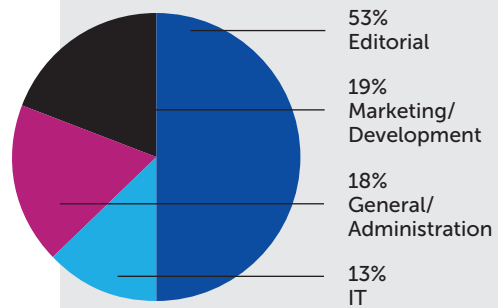
Among the other sites, the [St. Louis Beacon](#) also devoted significant resources to marketing and development (24 percent) in 2010, up from 1 per cent in 2009. Two sites spent less than 5 percent on marketing: [Crosscut](#) (3 percent) and the [New Haven Independent](#) (2 percent). Some sites have sought to increase their investment in these areas. [MinnPost](#) increased marketing and business-development spending from 13 percent in 2009 to 21 percent in 2010.

2010 Resource Allocation

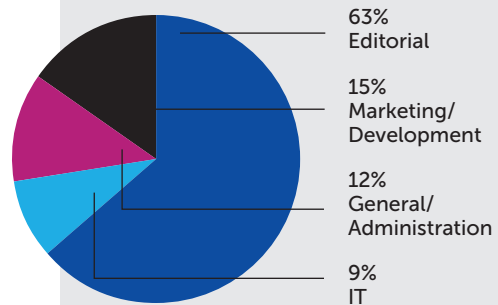
The Bay Citizen



The Texas Tribune



Other Sites*



* Averages for Crosscut, Minnpost, New Haven Independent, St. Louis Beacon, Voice of San Diego

b. Adaptation and Innovation: How are they evolving?

Most of the organizations start out heavily founder driven, relying primarily on one or two key individuals – typically journalists – within the organization for success. [The Bay Citizen](#), [The Texas Tribune](#) and the [St. Louis Beacon](#), launched with more balanced leadership teams with diverse skills.

[The Texas Tribune](#), for example, is led by chairman John Thornton, a venture capitalist; and CEO Evan Smith, an experienced journalist and news leader. The Tribune is particularly noteworthy for its investment in strong technology expertise. With five dedicated IT staff, technology has become a source of competitive differentiation for the news ventures. For example, the site's 'Armstrong CMS' was custom built using Django open-source software, in partnership with [The Bay Citizen](#). (The platform is being open-sourced to other organizations as Armstrong.)

In 2010, The Tribune further developed its capacity to increase revenue with the addition of two key staff positions: A director of business development to target large-dollar sponsorship revenue and an assistant director of business development to focus on memberships of \$5,000 or less.

In the early stages, when an organization is establishing its user community and is driving to break even, adaptiveness and a willingness to test new ideas are important for long-term success. That is why capacity to look beyond the immediate demands of the day or the gaps left by a declining industry is critical even before an organization reaches maturity.

Some organizations have looked for ways to create new products to engage users and sponsors. For example, [The Texas Tribune](#) created TweetWire, which aggregates tweets of all Texas politicians who are on Twitter. The Tribune also provides access in a highly searchable format to hundreds of public databases, which have become a significant draw to the site.

Many of the profiled sites have also experimented with different content partnerships to reach new audiences and to build their brand and credibility, which in some cases has translated into additional revenue. For example:

- > **Voice of San Diego's** syndication partnership with the local NBC affiliate has enabled the organization to expand its audience reach while providing credibility, recognition and revenue. The segments enhance VOSD's marketing efforts as they are well branded and increasingly recognized through the market. The San Diego Fact Check program has been so popular that the blog version on VOSD's website is now the second most read section of the website and attracted a \$25,000 annual sponsorship from a local restaurant.
- > **In 2010, the New Haven Independent** in partnership with the local ABC-TV affiliate and the Community Foundation for Greater New Haven hosted a multimedia summit on education. The Independent and the ABC affiliate jointly moderate the live panel at a public school with over 200 community members in attendance. The ABC station streamed the panel on both NHI and ABC's sites, while NHI also moderated a real-time discussion online with readers lead by a group of bloggers live-blogging from the event.
- > **The St. Louis Beacon** created a partnership with the Missouri History Museum and its exhibit on the issue of race, a regular focus of the Beacon's community conversations. Typically, a media partner would help promote such an exhibit, but in this instance the Beacon dedicated an entire section of its Web site to local content about race

to complement the exhibit's national coverage. This content also was used in the exhibit's audio tour. Over the course of the year-long partnership, the Beacon's average 40,000 monthly unique visitors spent 31 percent more time on the "Race Frankly" sections than any other part of its site. Over 22,000 museum visitors were also exposed to the Beacon's content in the exhibit through the audio tours.

- > **The Bay Citizen** created a partnership with the University of California at Berkeley, which involves working with the School of Journalism's award winning hyperlocal sites and involving paid interns into the new newsroom. In addition, there are efforts to jointly develop a "test kitchen" for journalism products and ideas involving the UC Berkeley's Engineering and Information Systems schools, as well as the Haas School of Business. The partnership has the potential to position **The Bay Citizen** as a strong adaptive leader and support its efforts to innovate its technology, business model and content.

A source of strength for all the nonprofit news ventures is a clarity of mission and a passion and commitment to local journalism. Building capacity throughout the business operations and deepening the knowledge of readers will allow each of the organizations to grow its revenue and to deliver on its vision.

6. Conclusion

Sustainability for nonprofit news ventures requires a holistic approach that encompasses social value and organizational capacity as well as revenue development.

Social value: On the path to sustainability, creating engagement and impact must be key goals for nonprofit news organizations. Producing great journalism is absolutely necessary, but not sufficient. Digital tools offer new opportunities to move out of traditional journalistic practices and more fully connect with audiences and engage them as stakeholders in the enterprise.

Economic value: Creating diverse revenue streams and increasing earned revenue such as advertising and sponsorships promises long-term stability. Heavy reliance on foundation grants and large donations may create vulnerability in the long term, while a broad base of small donations or memberships holds promise.

Capacity: Organizations must balance short-term requirements, such as producing high-quality journalistic content, with long-term requirements, such as business and technological development, in order to become sustainable. Experimentation, an adaptive organizational culture and a leadership team with broad experience are key.

The emerging news sites have demonstrated an ability to create high-quality journalism and to differing degrees have been able to engage users and donors, as well as developing some initial earned revenue streams. In the next stage of their developments, these organizations face the following challenges and opportunities related to their sustainability:

- Developing more strategic approaches to defining and understanding their audiences and their impact in order to deepen engagement and demonstrate social value.
- Reducing their reliance on foundation grants and other philanthropy by creating multiple revenue sources, including earned income sources.
- Balancing their resource allocation across editorial, business development and technology, and building leadership teams with diverse expertise.

As the digital age upends and remakes the media environment, **the work of the profiled news ventures provides useful insights about how nonprofit news organizations are evolving, who they are reaching, how much financial support they are raising and where they are investing their resources.** If they can establish themselves and continue to adapt, these organizations will play important roles in their communities, supporting healthy flows of civic news and information.

Additional Resources

For additional analysis on nonprofit news organizations and the question of sustainability see:

[“Information Needs of Communities Report: The Changing Media Landscape in a Broadband Age,”](#) Federal Communications Commission, June 2011.

Grueskin, Bill and Seave, Ava, [“The Story so Far: What We Know About the Business of Digital Journalism,”](#) Columbia University Graduate School of Journalism, May 2011.

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[“Seeking Sustainability: Online Nonprofit Local/Regional News Venture Roundtable,”](#) Knight Foundation, April 26, 2010.

[The Hub: A Resource Center for Community Based and Nonprofit Journalism \(Business Planning and Sustainability\)](#)

Houston, Brant and Hall, Andy, [“Launching a Nonprofit News Site,”](#) Knight Community News Network, 2010.

Mayer, Joy, [“Community Engagement: A Practical Conversation for Newsrooms,”](#) Reynolds Journalism Institute, August 2011.

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McGann, Laura. [“MinnPost’s Joel Kramer on the Pull Between Big Audience and Big Impact,”](#) Neiman Journalism Lab, June, 2010.

Phelps, Andrew, [“For The Texas Tribune, ‘Events are Journalism’ — and Money Makers,”](#) Nieman Journalism Lab, July 2011.

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