

FUNDING JOURNALISM IN THE DIGITAL AGE

Business Models, Strategies, Issues and Trends

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Introduction

Pay walls versus free access, hyperlocal coverage, search engine optimization, niche content – the discussion about how the news industry will survive in the digital age grows more intense as the speed of its financial decline quickens. Is Google devil or angel? Will Amazon and other makers of electronic readers resurrect the paid subscription model for news? If they do, will they grab an unfair share of the profits?

In newspapers and blog postings, at seminars and webinars, wherever journalists discuss their profession, the talk is of survival. How will journalism be funded when the business models that sustained it for centuries are crumbling?

The onset of the global financial crisis in 2008, and the dramatic drop in revenue that followed, raised the level of industry turmoil as news organizations slashed staffs and budgets to cut costs.

But not everything is doom and gloom – there is plenty to be optimistic about too. Advances in technology have enabled journalism to flourish in remarkable ways – from instant global distribution to community participation and more powerful storytelling techniques. And there are already instances where readers have shown they are prepared to pay for digital news content.

It's worth remembering too that despite these massive upheavals in business models and technology, the centuries-old perception remains widespread that an informed public is an intrinsic social good.

With these changes crowding into one another, we felt there was a critical need for a book about finding new ways to fund journalism's key role in fostering democracy.

In the following chapters we attempt to place these developments in their historical and economic context. We provide an overview of where we are now and look at new ideas and practical solutions that are being developed throughout the world.

Chapters 1 through 3 provide a context for the current dilemma. The first chapter explores the issues and challenges media companies face in trying to fund journalism as the industry makes the transition to primarily digital distribution. Chapter 2 examines how the commercial side of the news business developed, early attempts to move beyond “ink and paper” to electronic news distribution, why newspapers give away their content for free online and the rise of Web 2.0 and social media. Chapter 3 discusses business models that news organizations have used in the past and are using today – with varying degrees of success. Among the models and issues addressed are paid content, classified advertising, aggregation, hyperlocal news, search engine optimization, dayparting and the emerging concept of distributed media.

Chapters 4 through 9 explore new business models to fund journalism that are already being tested around the world. From microfinancing in San Francisco to massive citizen participation in South Korea to passion “blips” in London, we provide case studies of experimental commercial practices. Among other topics included are sponsorship, non-profit organizations, trusts, industry-university partnerships and strategies for creating valuable niche content. We also look at why online users appear more willing to pay for digital content that exists outside of web browsers – on iPhones or PlayStations for example – than on web pages.

The final section of the book, Chapters 10 to 14, looks at how we can adapt and create new products, services and operational methods that could help support journalism. Chapter 10 examines relevant economic concepts that could be used as tools to develop a greater commercial infrastructure for journalism, such as versioning, bundling and unbundling, price discrimination, network effects, switching costs and lock-in. In Chapter 11 we look at how e-commerce offers untapped revenue possibilities for news organizations, why so many online users are unable or unwilling to use current payment systems – and how that can be overcome. We also examine how media companies are engaging their online users and building transactional relationships with them.

Chapter 12 discusses the importance of innovation in driving businesses, why news organizations have been slow to innovate and how that is changing. We provide case studies of innovative practices at media companies around the world. Chapter 13 focuses on electronic reading devices – e-readers, such as Amazon’s Kindle – and the effects this form of distribution may have on journalism. E-reader

owners will pay for digital content, and the number of users is rising steadily. But questions remain about how to split the revenue fairly between content providers and e-reader manufacturers and whether news companies will be able to build their own transactional relationships with customers who subscribe via e-readers.

Finally, in Chapter 14, we highlight key issues and trends we believe will help shape how journalism is funded in the digital age.