11. **The Role of Crowdfunding as a Business Model in Journalism: A Five-layered Model of Value Creation**

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**The Rise of Crowdfunding in Journalism**

The traditional business models in journalism are in transformation; as subscription revenues are falling in print, online revenues from paywalls can’t match the deficit, and online advertising is not as profitable as in the print era (Downie & Schudson, 2011; McChesney & Pickard, 2011). Audiences are also scattered online, and the value of online journalism is declining when measured monetarily. Due to the large number of layoffs in media, the newsrooms have shrunk to one third of what they used to be. Consequently, the number of freelance journalists is growing, and there’s a constant, feverish search for new revenue sources.

One new potential revenue source for journalism is crowdfunding – a distributed funding model in which stories are funded by small donations or payments from a large crowd of people. Crowdfunding is a type of crowdsourcing; in crowdfunding, the crowdsourced task is to gather money for a certain purpose, and in crowdfunding in journalism, the task is to gather funding for a story pitched by a journalist. Freelance journalists pitch their story ideas on crowdfunding platforms, like Kickstarter, and community members – that is, anybody who goes to the website – can fund the pitches they like.

Crowdfunding in journalism has become increasingly common in recent years. Crowdfunding platforms such as Kickstarter, Indiegogo, Beacon, and Spot.Us have enabled crowdfunding for journalistic stories, which cover a large array of topics and geographic locations. As a more recent trend, combinations of crowdfunding and crowdsourcing information for journalistic
stories have started to appear, such as *The Guardian*-backed Contributoria – a platform for crowdsourcing, co-creation, and crowdfunding in journalism. Moreover, crowdfunding has been increasingly used to fund entirely new journalistic platforms and publications, like *Krautreporter* in Germany and *de Correspondent* in the Netherlands.

While crowdfunding in journalism has become increasingly common, there is a growing need to examine the role of crowdfunding as a business model in journalism. Therefore, the focus of inquiry here lies in the following two questions: What is the role of crowdfunding in the business model ecosystem in journalism? What are the possibilities and constraints of crowdfunding as a business model in journalism?

This chapter introduces a typology that enables the analysis of crowdfunding in journalism by placing it into four categories. Furthermore, this chapter also introduces a model for analysing the value of crowdfunding in journalism. The chapter is structured as follows. I will first establish definitions and categories of crowdfunding. Then a new typology for crowdfunding in journalism is introduced and instantiated in the context of journalism. The functions of crowdfunding in each model are then examined and analysed, and a model for analysing the value of crowdfunding is introduced. Finally, the role of crowdfunding as a business model for journalism is then discussed on a more holistic level as a part of the novel emerging business model system for digital journalism.

**The Essence of Crowdfunding: Small Amounts From a Large Crowd**

Crowdfunding basically means soliciting funding from a large crowd of people online. The amount of individual donations, payments, or investments is typically small, starting at $1. The power in crowdfunding lies in the quantity of funders, and crowdfunding initiatives typically aim for large numbers of funders. Through this method, an individual, group of people, or organisation can raise funding for their cultural project, such as music and literature, or for developing new products, like technological gadgets or newly designed coffeemakers. The method is also used to raise funding for start-up companies. Belleflamme et al. (2010) define crowdfunding as the collective co-operation of online individuals who pool their money for a project or product.

By pooling their money through crowdfunding, funders often enable a realisation of a process and a product that might not have come true otherwise. For instance, in crowdfunding music, funders can support a musician who is in the beginning of his or her career and doesn’t have a recording contract yet. Or,
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in new product development, a designer might want to design and manufacture a board game as a side project. Finding ways for funding for an individual project is challenging, but crowdfunding provides a viable option.

Crowdfunding can happen anywhere online, including on one’s own blog or website, but the practice often takes places on dedicated online platforms due to the large audiences the platforms are able to gather and the technical affordances they provide. The number of crowdfunding platforms is increasing, and there are platforms that are specific to pitches from a certain area and those that accept pitches from several contexts. For instance, musicians seek funding on SellaBand, while Fundable and Startup Crowdfunding are dedicated to funding entrepreneurs. Spot.Us, Beacon, and TugBoat accept only journalistic projects, whereas Kickstarter, RocketHub, and Indiegogo are flexible about the context of the project and accept pitches from artists of all kinds, entrepreneurs, and philanthropists.

Crowdfunding platforms typically take a slice of the revenue the pitch gathers. That slice is growing: in 2012 alone, the crowdfunding industry raised $2.7 billion in support of over a million projects, and the market was estimated to double in size in the following year (Massolution Research, 2013). The payments are often facilitated through Amazon Payments or PayPal integrations, which make the payment process seamless. Products that are pushed forward by crowdfunding are making it more often to the public awareness. To cite a few examples, virtual reality system Oculus VR, which was funded on Kickstarter, was acquired in 2014 by Facebook for $2 billion. Smartwatch-maker Pebble sold more than 400,000 of its crowdfunded smartwatches in 2013.

Four basic models of crowdfunding can be distinguished, those being donation-based, reward-based, lending-based, and equity-based (c.f. Agrawal et al., 2011, 2013; Kuppuswamy and Bayus, 2013; Massolution, 2012; Mollick, 2013). In donation-based crowdfunding, funders donate to a project without tangible compensation in return. An instance of this model is when a funder donates on Spot.Us or Kickstarter to a journalistic story, which doesn’t provide tangible rewards, or the donation is so small that it doesn’t reach the tiers that provide rewards. In reward-based crowdfunding, funders are offered rewards such as T-shirts, stickers, or the product for which the money is raised. Rewards are often structured in tiers: the more funding the supporter gives, the higher the value of the reward. For instance, if the goal of a project on Kickstarter is to produce a children’s book, rewards are related to the book, and on a certain tier, the funder receives the book in return for the money.

The rewards have also been called “patronage perks” (c.f. Kappel, 2008), in that the rewards are given to supporters, i.e., patrons, and the rewards often
provide more exclusive access to the making of the process of a music record, for instance, or interactions with an artist. Artistic patronage in crowdfunding creates a direct relationship between the supporter and the creator (Beer & Badura, 2012). In the traditional artistic patronage a handful of supporters donate big sums, but in crowdfunding the support comes from a large crowd in small amounts. The distributed patronage model follows the notion of 1,000 true fans by Kevin Kelly (2008): it’d be enough support if each fan pays $100 a year to support the creator’s art. Crowdfunded patronage for cultural productions is becoming more common, as specific platforms and models for cultural crowdfunding are in rise. Patreon, a San Francisco-based start-up, which was founded in 2013, raised $15 million in venture capital to extend its operations in June 2014. On Patreon the supporters – who are called Patrons – contribute to YouTube videos, music, science, comics, and dance productions, among other things. Patrons pledge as little or as much as they want to their favourite productions. On subscription-based pledges, the Patron contributes a given amount every month.

The type of crowdfunding in which rewards include the actual end-product of the crowdfunded production process has also been called crowdfunding for pre-orders. The crowdfunders thus pre-purchase the product and will receive it (Belleflamme, Lambert, & Schwienbacher, 2013).

In lending-based crowdfunding, funders expect to receive back the funding they contribute to a project, perhaps with interest. Kiva.org is one of the best known micro-lending sites. In equity-based crowdfunding, the funders receive equity and/or shared revenue in return for their investment. That is a typical arrangement in crowdfunding for start-ups, but it is also used in other realms of crowdfunding. SellaBand, for example, enables artists to offer funders a share in their revenue (Bannerman, 2013; Massolution, 2012).

Crowdfunding for rewards can be defined as an umbrella term for crowdfunding in which supporters receive a tangible reward for their money. To this end then, crowdfunding for preordering and crowdfunding for equity are both categorised as reward-based crowdfunding. Rewards basically mean a return for the money invested or given, or, in other words “bang for the buck”. However, it is necessary to note that in donation-based crowdfunding, there can also be, and most likely are, rewards for the donors. This means that the donors must have an incentive to donate, even though they wouldn’t get a tangible return, or an object, for their donation. The incentive can be, for instance, a feeling of belonging to a community, as noted in studies about crowdfunding in journalism (Aitamurto, 2011).

Another way to categorise crowdfunding is by distinguishing the funding activity between *ex ante*¹ and *ex post facto* crowdfunding (Kappel, 2008).
In *ex ante* crowdfunding, the funds are raised to support a future action, event or process to achieve a certain outcome. In *ex post facto* crowdfunding, instead, the funds are raised for a completed product. *Ex ante* crowdfunding is the more common crowdfunding model. *Ex post facto* crowdfunding is more of a digital tip jar (Kappel, 2008: 377) in that money is raised for a product that would be often available for free anyway. For instance, in 2007, the band Radiohead allowed its fans to determine what price to pay for its release *In Rainbows*, including an option to download it for free (Lipsman, 2007). In other words, paying for the record was voluntary, and the price was based on a “pay what you like” model. Another instance of *ex post facto* crowdfunding is social payments or micro-donations, such as on Flattr. On Flattr, the user makes voluntary payments; in other words, users make donations to the sites they like or for pictures they want to support using browser extensions or an embedded button or widget on a website. Crowdfunded artistic patronage on platforms like Patreon is a mix of *ex ante* and *ex post facto* crowdfunding. The supporters contribute to productions before they are ready, and they might keep supporting the creator after the first project is ready, thus using the digital tip jar model in patronage.

**Crowdfunding in Journalism: Evolving Models**

Crowdfunding in journalism has become more common since the 2008 launch of Spot.Us, the pioneering large-scale platform for crowdfunding in journalism. On Spot.Us³, journalists would pitch stories and gather funding, initially, as a donation-based crowdfunding without rewards, and later as the platform evolved with a tiered reward-model, thus moving to reward-based crowdfunding model. Typically, crowdfunding in journalism is *ex ante* crowdfunding, meaning that the funding is gathered before the story process begins. Thus, the funding is often essential for the story to be realised.

Crowdfunding platforms for journalism have a pre-screening process for the pitches: the pitches have to be accepted by editors. Depending on the model used, the platform may or may not restrict the amount that a single funder can donate to a story. For instance, on Spot.Us, a single donor can donate 20% of the total fundraising goal. This is to prevent the disproportionate influence of a single donor in a story process. However, by creating several profiles, a donor could bypass the rule, if he or she so wanted, and donate multiple times under several profiles. Donations in journalism are not a new phenomenon, though. In the United States, NPR, formerly National Public Radio, drives yearly campaigns for donation-based funding. However, what is
new in crowdfunding models is that the funders are supporting one story or author with their contributions, rather than an organisation.

Typically, crowdfunding works like a campaign. The pitches have a defined length, and the journalist spreads the word on social networking sites about the ongoing pitch. It is like a fund-raising event, which is distributed across the crowds, lengthened temporally and doesn’t require the attendees to gather in same physical space. Depending on the crowdfunding platform used for the campaign, the journalist gets to keep the money only if the fundraising goal is reached, which is the case on Kickstarter, for instance. On other platforms, such as RocketHub and Spot.U, the fundraiser keeps the money that he or she managed to gather, whether the goal is reached or not. Crowdfunding is favoured by freelance journalists. For them crowdfunding is often one revenue source among others, and it has become a more appealing funding mechanism as the traditional newspaper industry is falling, and a decreasing number of journalists get paid by the legacy media. The crowd-funded stories are published in the mainstream or independent media publications or on the crowdfunding platform, or on both.

Crowdfunding disrupts some of the traditional structures in journalism. First, in the traditional journalistic process, the value proposition of a journalist’s pitch has to appeal first and foremost to the editors, who then decide whether a story topic is accepted to the publications’ agenda and if a story is published or not. The editor also decides about the pay for the story. In crowdfunding, on the contrary, the journalist is pitching directly to the public – to the potential readers. That direct connection to the end-users requires new skills and approaches from journalists. It is challenging for journalists to adjust to their new role, which requires undertaking marketing efforts on social media and selling their work directly to the audience, rather than to editors (Aitamurto, 2011).

Second, crowdfunding in journalism alters the power structures in the journalistic process. In the traditional model, the journalist and the publishers act as the gatekeepers for story topics, thus setting the journalistic agenda. But in crowdfunded journalism, the power is shared between the journalistic institution, which here refers to journalists, and funders. The donors are the decision makers in crowdfunding; they “vote” with their donations. Thus, in crowdfunded journalism, the readers’ agenda manifests in crowdfunding as an aggregated judgment about the stories that are worthwhile in covering. By donating to a pitch, the donor expresses which topics need to be reported. Donors’ judgments are aggregated and accumulated into funding for a story, and with the appropriate funding, stories will be delivered. These aggregated judgments are a manifestation of collective intelligence in crowdfunded
journalism. Collective intelligence refers to the distributed talent and knowledge of large crowds (Lévy, 1997; Landemore, 2013).

**Typology for Crowdfunding in Journalism**

While it is important to understand the types of crowdfunding in general as discussed in the previous section, in order to analyse the impact of crowdfunding, it is also necessary to view the role that crowdfunding serves in journalism. Therefore I introduce here a novel framework with which crowdfunding in journalism can be analysed. The typology has four categories, and the categories indicate the role of crowdfunding in journalism. The categories are as follows:

i) Fundraising for a single story
ii) Fundraising for continuous coverage/beat
iii) Fundraising for a new platform/publication
iv) Fundraising for a service that supports journalism

In the following section, I will examine these categories further by instantiating them in examples.

**Fundraising for a Single Story**

Crowdfunding for a single journalistic story is perhaps the oldest model of crowdfunding. In this model, the journalist pitches a story online for potential funders. The pitching often happens on a specific platform, like Kickstarter, Spot.Us, or Contributoria. Journalists have raised funding for their stories ranging from local coverage to explorations overseas. Some of these well-known stories include the coverage of the Pacific Garbage Patch by Lindsay Hoshaw in 2009. She wanted to investigate the floating island of plastic particles in the North Pacific Ocean, known as the Great Garbage Patch or as the Pacific Trash Vortex. Hoshaw raised $10,000, which was her fundraising goal, to cover the costs of joining a boat trip to the Garbage Patch, and one of the stories she wrote was published in *The New York Times*. To mention another well-known fund-raising effort, Ted Rall, a columnist and cartoonist, funded a trip to Afghanistan in 2010 to cover the war and write a book. He raised $25,999, while his goal was $25,000. While these spectacle-like campaigns and coverages are some of the best-known instances about crowdfunded journalism, there are hundreds of crowdfunded stories that haven’t received such a large amount of attention as the more high-profile articles.
Another novel crowdfunding model is Contributoria. Contributoria is a collaborative platform on which journalists pitch stories, and supporters can contribute by funding. The support is shown by distributing points to the pitches. The supporter gets points when she or he joins Contributoria, and the more she or he pays as subscriptions, the more points the supporter has. Contributoria takes a step beyond the basic donation- or equity-based crowdfunding model by offering three subscriber levels. The levels include a free “Starter-level” and a “Supporter-level,” which costs about $3 a month. The third level is called “Patron,” and it costs about $10 a month. Patron-level subscription is needed for a user to be able to write and publish on Contributoria. The user gets points when she or he joins Contributoria, and the more the user pays, the more points she or he gets. The user can then use those points to back writers’ proposals. Writers’ payments are provided by the community membership pool and other sources of funding, such as sponsorship. Contributoria received initial backing from the Google-sponsored International Press Institute News Innovation Contest, and the platform is currently funded by the Guardian Media Group.

Contributoria also enhances collaboration between the supporters and journalists to advance the story process. The readers are asked to comment on the stories that are still in making and share information related to the story on the Contributoria platform. Furthermore, Contributoria encourages participant co-creation, a method in which readers and journalists collaborate using a systematic online dialogue, which can lead to commitment to follow the author and the publication, and even subscribe for the content (Aitamurto, 2013). Thus, pitching on Contributoria is not only about funding, but the process also supports the journalist’s knowledge search.

In this _ex ante_ type of crowdfunding, the funds raised from the crowd are essential in funding the journalistic examination, whether this is gathering revenue to pay the journalist or for covering the costs accrued from reporting. In addition, crowdfunding enables sensing the audience’s interest for a story and its topic. This means that the more monetary support from a larger number of donors, the more interest there is in the story. Furthermore, journalistic crowdfunding requires opening up the story process to the public. This means that in order to pitch to the public, the pitch has to be publicly visible. That requires a certain degree of transparency for the pitch, which is atypical in the traditional journalistic story process. As a benefit of this transparency, journalists might attract sources, which may prove useful in the story process. This is particularly visible in the Contributoria model, in which the supporters are invited to co-create with the journalists. By pitching in public, journalists
are also attracting readers not only to this particular story at work, but they are also building their brand and thus attracting readers to their future work.

**Fundraising for Continuous Coverage/Beat**

In this model, crowdfunding is used to gather funding for a more permanent support of a journalistic initiative than just a single story. This model is used, for instance, to fund continuous beats covered by journalists. Beat reporting means specialised reporting, in which a journalist builds her or his knowledge about a particular topic or area. That is how journalists become experts in certain topic areas, like in covering the nation’s economy or local food production. While Kickstarter, Indiegogo, and Spot.Us fund beats too, a media start-up called Beacon uses crowdfunding particularly for continuous coverage of beats. On Beacon, potential supporters browse through different authors and their projects, and if they find one that they like, they can pay for a subscription. There are different subscription levels, with the basic price being $5 per month. The subscription gives the subscriber access to the full array of Beacon content. Once logged in and subscribed, the reader gets suggestions for stories from Beacon. Beacon emphasises the journalists’ brands, and in that, combined with the continuous subscription-based pledging, its model resembles crowdfunded artistic patronage on platforms like Patreon. The support often builds on fandom, and fandom translates to online following, and following to audience, and in the context of crowdfunding, funders.

The majority of the money (70%) a donor, or, rather, a subscriber, pays goes to the specific project that they support on Beacon. Beacon calls the subscriptions “monthly dues.” One third of the subscription revenue is split between Beacon and the “bonus pool.” The bonus pool is an aggregate pool of funds that is distributed to the most popular journalists on the platform in the given month, where popularity is based on the number of recommendations, which, on Beacon, are called “Worth-Its,” similar to Facebook’s “Likes.” Popularity is measured by the amount of readers who click the “Recommend” button after they finish an article, showing that they actually thought it was worth their time. Beacon experimented with gathering funding for a breaking news event in August 2014, when it raised money for coverage about the police shooting of an unarmed African American teenager in Ferguson, Missouri. The funds (about $4,000) were raised in about a week, and with that Beacon was able to secure funding for continuous coverage for about a week. Reporting was done by several journalists.

The monthly payments from subscribers are similar to several other subscription models. One parallel model is the membership models of museums,
charities, and public parks, for instance. The membership model has also become more common in journalism in recent years. Several non-profit publications gain revenue by using membership models, but the difference from the crowdfunded model is that often the membership is paid on a yearly basis, and the membership also offers other benefits than access to the publication, which might be free of charge anyway. Those perks can include access to members-only events and experiences, live chats with journalists, and so on. Non-profit publications like the MinnPost in Minnesota and the Voice of San Diego in California provide memberships for their supporters. The Voice of San Diego members belong to an “inner circle” that is invited to events and discussions with the publication. The benefits also include newsletters, a quarterly magazine, and promotions.

To use another parallel, in a digital context, monthly, or yearly subscriptions are used by movie and video streaming companies, such as Netflix and Hulu. By paying a monthly fee, subscribers receive access to the providers’ video content. To use one more parallel, several other cloud-based services, like Dropbox, Google Drive, and Flickr provide monthly or yearly subscriptions that extend storage space and the coverage of the provided services.

Journalism, however, differs from the other aforementioned services. Journalism has a shorter shelf-life than many other cultural productions, like music, movies, or books. What is a topical story today, this week, this month, or this year is most likely not timely, accurate, or interesting soon afterwards. Journalism also includes a substantial amount of unpredictability. The pitches journalists initially present to funders might take new directions as the journalist digs deeper into the story and finds information that changes the direction of the story. Also, even though a reader liked one story about environmental issues by a certain writer, the next one by the same author but with a different topic, or vice versa, might not be of interest to the funder. Therefore, funding a single story for $10 might be more appealing to the backer than committing to a continuous coverage of a topic that the reader is not that passionate about, or to a continuous coverage by a journalist that the reader is not that attached to follow. The threshold to actually commit for a beat might prove to be a challenge for beat-funding crowdfunding platform, particularly in this age of “content-snacking” – the readers are used to reading a story from one source, another one from somewhere else, rather than committing to one publication to satisfy their information needs.

Furthermore, journalism is not a commodity either, unlike cloud-storage services, for instance. It doesn’t provide such continuous usefulness as Dropbox or other services, so a customer’s willingness to pay for journalism in a similar monthly or yearly subscription model might be lower.
Fundraising for a New Platform or Publication

Crowdfunding is used also to fund new platforms or publications for journalism. In this model, an individual, a group or an organisation crowdfunds a new publication initiative. Journalist Andrea Seabrook, a former NPR Congressional Correspondent, crowdfunded her new publication, *DeCode DC*, on Kickstarter in 2012. With a goal of $75,000, she raised over $100,000 from about 1,600 backers for her publication, which covers Washington DC, particularly politics, focusing on “Washington’s dysfunction, corruption, and negligence of the issues that affect American citizens every day” (as described by Ellen Weiss, chief of the Scripps Washington bureau, in Romanesko, 2013) by producing podcasts. The funding raised on Kickstarter functioned as seed money to the operation. *DeCode DC* was later acquired by the American media conglomerate E. W. Scripps Company.

Another instance of crowdfunding to kickstart a publication is that of *Matter*. A science publication, *Matter* raised over $140,000 on Kickstarter in 2012 from about 2,500 backers. The campaign almost tripled its goal of $50,000. *Matter* provides long-form, in-depth science and technology journalism. *Matter* was acquired in 2013 by a Twitter co-founder Evan Williams’ new publication *Medium*, a curated publication for thoughtful blogging. *Matter* now publishes its stories as a part of *Medium*, which is a venture-backed journalistic initiative based in San Francisco.

In Germany a digital news magazine site *Krautreporter* raised $1.38 million in 2014 for developing and launching the journalistic operation. The magazine aims to do long-form journalism, allow access to it for free, and find sustainable support by voluntary membership payments. A Dutch record-braking initiative, *de Correspondent*, with a funding goal of about $1.14 million, raised $1.30 million to launch their operation in 2013. The funds were raised in $80 subscriptions for a year-long membership and by additional extra donations. The content is controlled by a paywall – only a certain amount of articles can be read without charge – and fully accessible to members only. In a year, *de Correspondent* has got over 20,000 subscribers and hires a full-time staff over 10 (Nieman Journalism Lab, 2014).

In these instances, crowdfunding brings in the essential seed funding to the journalistic operation. A substantial amount of funding can also carry over to the operations so that with the crowd’s contributions, the news operations can be run for a while. As the European examples *Krautreporter* and *de Correspondent* show, crowdfunding enables the publication to test its traction and gather attention, which is important when launching a new publication. Crowdfunding is thus a way to start building audiences, and, in many cases,
appeal to future subscribers or payers. Hence, the method functions as a way to build an audience and brand for the new publication.

**Crowdfunding to Fund Operations Supportive to Journalism**

Crowdfunding is also used as a method to fund operations that support journalism. These can be delivery mechanisms and marketing. An example of this function is PedalPowered News, a campaign run on Kickstarter by the *Public Press*, which is a print paper in San Francisco focused on in-depth and investigative reporting. The Public Press had a goal of $10,000 for a new delivery method for the newspaper: newspapers delivered by bicycle to the subscriber’s door. The campaign raised about $21,000 from 1,016 backers. By reaching the threshold of 1,000 backers, the Public Press unlocked a matching grant of $10,000 from the John S. and James L. Knight Foundation.

The funding enabled the delivery mechanism. Crowdfunding functioned also as a marketing campaign for the *Public Press*, which enabled it to reach out to new audiences and raised the profile of the publication.

**The Value of Crowdfunding in Journalism**

Crowdfunding serves several purposes in journalism, as the examples in the previous section show. Crowdfunding is not only about raising money, but it also creates value in other ways: through crowdfunding, a journalist or publication can test the potential traction of a story topic or the appeal of an author or a publication. Crowdfunding also serves as a branding mechanism, whether it is about branding a journalist, a beat, or a publication. By so doing, it also helps in building audiences and a following for a journalist or a publication.

Figure 11.1 illustrates these four dimensions of value, or rather, value tiles, that crowdfunding creates in journalism. The dimensions are illustrated as tiles because the points for value creation build on each other; they are partially overlapping and are not mutually exclusive but are mutually beneficial. In some crowdfunding initiatives, all the value dimensions are realised equally, and in others, some dimensions appear more strongly than others. For instance, even if a crowdfunding effort does not reach its fundraising goal, the attention gathered during the campaign can prove to be helpful in branding the effort and taking it forward. As Figure 11.1 illustrates, the value creation process in crowdfunding is cyclical: the more attention a pitch gains, the more likely it will raise more funding, develop a stronger following and reach out to larger audiences, which increases the possibility that the journalist will also find relevant knowledge and sources for reporting. The power, scalability,
and sustainability of crowdfunding is restricted by several constraints. First, successful crowdfunding requires attention and reaching out to large crowds of potential donors. Marketing a pitch requires human resources and, often, money when producing marketing materials, such as videos for the pitches. Hence, marketing the pitch is a cost-point in crowdfunding. Depending on the amount of time the journalist is willing to put into the interaction with contributors, interaction costs can also be high, because interactions online – for instance by chats, e-mails or Internet calls – with the contributors require time. In the traditional journalistic process, the journalist is focused on gathering information and writing stories. In this crowdfunding era the journalist still does that, and, in addition, takes care of the marketing. The stages of work that crowdfunding creates can be divided into five stages (Gerber, 2013 Hui et al., 2014): Preparing the campaign material, testing it, publicising the campaign, following through with the project and reciprocating the resources and lessons learned back to the community. Thus, the success of value creation in crowdfunded journalism depends on the time and resources that the journalist invests in the five stages, but at the same time, the investment creates costs. The formula doesn’t lead to a guaranteed success because there are so many factors that impact the success of a pitch, like the skill and luck involved in creating a successful marketing effort for the pitch, the quality and amount of competing pitches at the time, and sudden changes in news flow, which impact the urgency of the topic.

Figure 11.1: Value creation process in crowdfunded journalism.
An important factor for the success of a pitch is the size of the crowd that the pitch is able to reach and convince to contribute. As seen in the given examples in which crowdfunding has been used for journalism, the amount of money can sound large, reaching over $100,000, but the number of backers is still typically in thousands rather than in tens or hundreds of thousands. The contributing crowds are still small and are far from the tens or hundreds of thousands, or millions, of readers that news outlets have.

The constraints of crowdfunding also lie in the drivers of the crowd to fund journalism. There are strong assumptions about the incentives to donate to journalism. Often, motivations for funding are assumed to be those of contributing to high-quality journalism – the rationale being that journalism is so good that the readers want to pay for it. Another often heard rationale is that of the greatness of the authors and people’s willingness to support talented authors with money. Yet research findings (Aitamurto, 2011) indicate that rather than the quality of the work or the qualities of the author, it is the role of journalism that funders want to support. The act of donating is more about altruism rather than about supporting a particular pitch or author. Furthermore, in their study about drivers for contributing to crowdfunded journalism Jian and Shin (2014) find that fun and being among the friends or family of the journalist who is pitching are the factors that can predict higher contribution levels. This can mean that other motivation factors, such as altruism and feeling of belonging to community can motivate for one-time contributions, but less likely continuous support. Jian and Shin interpret that the fun factor in crowdfunding derives from novelty value in the act of contributing and from empowerment that the funders feel when contributing. To this end, if the drivers for higher levels of donations are restricted by kinship and novelty, then that restricts the scalability of crowdfunding. Assuming that altruism and empowerment don’t create long-term commitment to contribute to journalism, these motivation factors are not particularly encouraging for a scenario in which crowdfunding would be largely the only revenue source for journalism.

As most of the crowdfunded stories are typically available to be read online for free, regardless of whether the reader has paid for the process or not, it might be that the majority of readers will not pay for journalism, whereas a small portion actually ends up paying for everyone. Yet the latest models for crowdfunding, like Beacon and de Correspondent, employ subscription models in that they are moving away from donation-based crowdfunding toward a more traditional subscription model for content. In these models, the content is not necessarily available for free, so it can’t be accessed without a subscription. The difference, though, is that unlike subscribing for a
full newspaper, the supporter initially funds a certain beat or author, and by so doing, they get access to a whole pool of content on the website. While this model of crowdfunding appears more sustainable for the journalist and the crowdfunding platform, yet, the findings from studies about motivation factors for contributing in crowdfunding indicate that scaling such models in a viable way beyond a journalist’s networks – basically, family and friends – can be challenging. On the other hand, if the funder gets information, that she or he finds useful, maybe a new habit can be formed: a habit of reading crowdfunded journalism. Another constraint in subscription-based models is the loss of attention for the stories, which occurs when the content is behind a paywall. Getting a story shared and linked online by masses of readers and other publications might be more appealing for a journalist than writing for a small audience behind a controlled access.

In order to realise the potential of crowdfunding and utilise the benefits of the funding mechanism, it has to be understood that crowdfunding doesn’t replace the legacy business models for journalism. It is not, and it won’t be, a similar revenue model that used to be the mainstream model journalism: either paid staff or freelancers paid by the story so that a salary or a payment from the news organisation was the primary source for revenue for the journalist. Crowdfunding can typically provide partial support to a journalist. It provides support for some stories, or for some beats, and for most journalists it is, and will be, one revenue source among others. Gaining continuous revenue by crowdfunding is particularly challenging for journalists, who do lower-profile coverage, rather than for reporters, who engage in spectacle-like reporting trips overseas or exciting investigations and who have built their brand already.

At the same time, while providing only partial financial support for journalists, crowdfunding creates value in several other ways, such as branding, testing the traction, finding new audiences and discovering knowledge and sources. Thus, crowdfunding plays an important role in the emerging new business model ecosystem in journalism in which revenue sources are becoming ever more distributed, irregular, and insecure.

Notes

1. *Ex ante* is Latin and means “before the event.” *Ex post facto* is Latin and is translated to “after the fact” or “from after the action.”
2. As a result, two out of five downloaders were willing to pay for the *In Rainbows* album, and the average was $6, according to comScore (Lipsman, 2007).
3. Spot.Us was initially funded by the Knight News Challenge award grant. Spot.Us was acquired by American Public Media in 2011, and in December 2013 operations were
paused for evaluation. By then, a total of 264 stories were funded by 6,915 donors, with an average donation of $23.

References


