

# FINANCING QUALITY JOURNALISM

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RESEARCH INTO EXISTING AND NEW MODELS TO FINANCE QUALITY  
JOURNALISM AND POSSIBLE STRATEGIES FOR MOVING FORWARD

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## Introduction

Some years ago, Paul Lewis of *The Guardian* spoke of “a golden age of journalism” that was about to materialize. His thinking was simple: if we live in an age where information is a crucial element in the lives of the public and professionals, and if we also live in an age where technology helps us create and distribute information more cheaply and easily than ever before, then all we need are great journalists to succeed in the most exciting journalistic times to date. Lewis has it almost right: we also need the capacity to monetize the journalistic proposition.

Adessium Foundation commissioned this study into current and future business models for quality journalism. For the purpose of this report, we define quality journalism as *“media productions of an explanatory and investigative nature that explore not what happened, but why and how it happened, based on research, investigation, and facts and driven by an intrinsic hunger for truth.”*

Adessium Foundation is one of Europe’s leading philanthropic organizations supporting independent quality journalism. To identify a strategy that puts its resources to optimal societal use, the foundation is seeking a new rationale on which to base financial models for quality journalism.<sup>1</sup>

Based on 25 in-person and Skype meetings<sup>2</sup> and extensive desk research, we identified a significant trend in the journalistic ecosystem in which information is created, delivered and monetized: the trend toward distributed production and delivery and subsequent absence of monetizing capacity and infrastructure. We concluded with confidence that quality journalism is a self-supporting proposition in this new ecosystem, and even a quite profitable one. We identified 52 means to generate revenue or reduce costs, and we identified what is lacking in and obstructing development toward the profitable exploitation of quality journalism in the digital age.

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<sup>1</sup> Adessium Foundation is grateful to the researchers for their willingness to carry out this study and their relentless commitment to the research project. The research was commissioned and paid for by Adessium Foundation, the authors have experienced unlimited scientific and editorial freedom. The report therefore expresses the findings, conclusions and recommendations of the research team, and not the findings, conclusions and recommendations of Adessium Foundation. Adessium Foundation accepts no liability for the contents (or accuracy) of the report, nor is it liable for any.

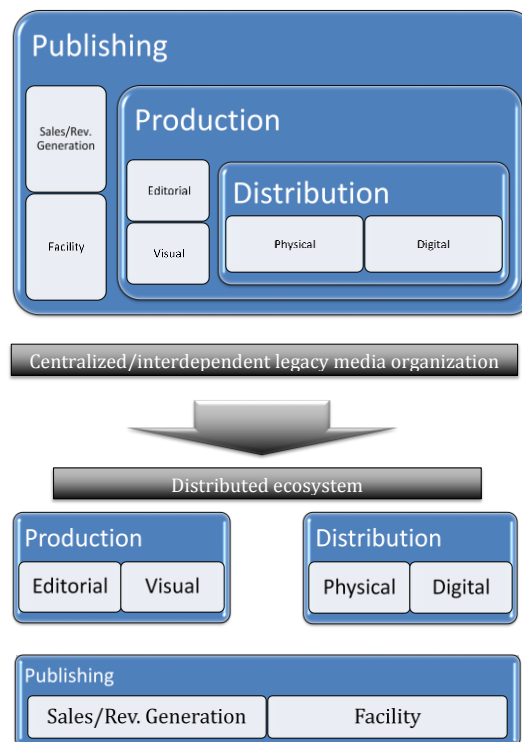
<sup>2</sup> The interviewees are listed in appendix 1.

## A changing ecosystem

As in many sectors, the media have historically been institutionally organized. Traditional media organizations, referred to in this report as *legacy media*, comprise three interdependent basic elements:

1. Journalistic production in newsrooms, roughly 40% of cost base
2. Distribution through a dedicated outlet (e.g., newspaper, website), 30% of cost base
3. Supporting infrastructure that monetizes, enables and markets the journalistic product (publisher), 30% of cost base

The most important current development is that the newsroom is becoming distributed, moving away from traditional physical newsrooms toward a network of independent, hybrid and expert “information workers” and dynamic, multidisciplinary collectives and cooperatives. At the same time, delivery channels are also becoming highly hybrid and distributed. No longer is there a single newspaper through which to reach audiences; now there is a wide array of means, spanning multiple devices and media formats and effortlessly crossing borders. And all this variety is available to a much more heterogeneous and demanding audience.



The pressure on the traditional, single-source and single-outlet media model based on two revenue streams (subscription and advertising) can be no surprise. Advertising euros spent at Google and Facebook offer returns up to 100 times higher than those of a full-page, full-color newspaper advertisement. And a prepaid subscription to one source with a generic editorial proposition, only part of which is of significant interest to the individual reader, holds no appeal in these fast-paced and competitive times.

As a result, legacy media organizations’ financial capacity to “cross subsidize” the costly quality journalism endeavor is swiftly diminishing. The assumption that quality journalism in legacy organizations is under threat seems to be correct, although notably, we saw several commercial players differentiating themselves by focusing on quality content. Investigative journalism appears to be viewed as a way to lock in readers exclusively.

We must not conclude that the shrinking traditional revenue streams show that the public “no longer wants to pay for journalism.” That widespread assumption is false and dangerous. The simple truth is that audiences have had only limited exposure to new financial models. Examples such as De Correspondent, Blendle and Mediapart—as well as the hundreds of thousands of current newspaper buyers—show that the willingness to pay is there if and when the proposition offers sufficient added value and appealing payment methods are in place (such as pay per article or crowdfunding).

## Gap analysis

In our research we found two parallel transitions: from legacy to distributed production and delivery, and from simple, dual-sourced revenue models to complex, hybrid models. We identified several gaps and obstructions in these processes of transition.

**The missing capacity to monetize** – Traditionally, publishers have monetized the journalistic product. Now swiftly changing revenue models have left traditional media organizations struggling to adapt, and freelancers are also having difficulty creating solid and diverse sources of revenue. The extreme hybridization of methods for generating revenue has also made the commercial process much more complex, whereby we note that business skills are not natural to most journalists.

**The missing infrastructure** – From printing to finance to sales to IT, the distributed ecosystem has little to no shared supporting infrastructure. As a result, much time and effort is spent recreating the wheel, which severely decreases the efficiency and quality of journalistic production.

**The missing capacity to innovate** – Due in part to the above, the operational and financial capacity to innovate in the journalistic process is limited and heavily dependent on external sources such as grants and other one-offs.

**The role of the individual journalist in these changing models** – The journalist is increasingly becoming her own brand, which requires that she has entrepreneurial skills. This fundamentally changes the way journalists must work.

**The need to add significant value** – Journalism is about providing value to a reader by delivering information he seeks and does not have. In pre-tech times, the reader was much less well informed (and maybe even less well educated) than he is today. That means the relative value that today’s journalist provides is much smaller than before. Much of traditional journalistic content simply does not add enough value for a customer to be willing to pay for it. Today’s journalist must find ways to provide sufficient value to a more sophisticated audience, in both production and delivery.

## Conclusion: Quality journalism is self-sustainable

It is our firm belief that we are not experiencing the end of a viable business model for quality journalism, but its re-invention for the digital age. We have no doubt that information that creates value, both in terms of content and in terms of distribution, is able to generate substantial revenues and ultimately satisfactory returns. Indeed, we have met with several organizations, both new and old, that are making a profit. However, such success requires a deep redesign of operational methods and the positioning of the journalist as an information expert.

We have identified 52 potential sources of revenue for today’s producer of quality journalism—yet very few organizations use more than four of them. Many of these ways to generate revenue have not been well explored, leaving substantial potential untapped. This leads us to a fundamental insight:

*The optimal exploitation of the wide array of revenue generators requires a skillset, mindset and infrastructure that are absent in both the new, distributed ecosystem and the legacy media.*

Simply put, the evolving journalistic ecosystem has not yet developed the necessary framework to monetize distributed production and delivery. Self-employed information workers and small collectives do not have the skills, culture or supporting infrastructure to market and sell their work. Traditionally, the publisher has handled this aspect of the process. In the new ecosystem, however, the journalist is also the publisher—but she has not been trained in that profession. Moreover, it is difficult to implement shared services and infrastructure in a distributed environment.

Large legacy organizations are also finding it hard to tap into novel revenue generation methods: as many examples in history show, it is very challenging to convert from old to new models and skillsets.

## Ways to generate revenue and reduce costs

In appendix 2, you will find 52 ways in which journalists and organizations can create revenue. Not all methods will be suitable for everyone, but all the organizations we met with can effectively tap more sources than they are currently using. The list contains digital-age ideas for re-using content, offering services, using cooperative models, creating retailing and commercial activities, and monetizing expertise in other sectors, as well as traditional methods such as publishing books and advertising; it also addresses direct sources such as grants, donations and crowdfunding in the B2C, B2B and B2G markets, as well as in-kind support, technology development and licensing. We surveyed our interviewees to identify the expected revenue potential and implementation complexity for each method; the results are shown in appendix 3.

## The role of philanthropy in supporting the transition to self-sustainability

There is no shortage of demand for high-value, quality investigative journalism. There is no shortage of talented, dedicated journalists. There is no shortage of ways to create content and deliver it. There is no shortage of ways to make money. The shortage is in the ability to bring them all together.

If the above narrative is true, as we believe it is, it raises the question of where philanthropic money is best spent.

We recommend that philanthropic organizations support quality journalism's transition to self-sustainability by helping the sector resolve the gaps and obstructions hampering the development and adoption of new models.

To that end, we recommend that supporting organizations and philanthropists consider a broader use of their resources, looking beyond grants and donations to include loans and equity. Non-profit equity and other investments need not be geared toward maximizing returns; rather, they provide a way to leverage the supporting organization's resources to achieve even greater impact.

We identify three domains to which support could be geared: industry development, journalistic infrastructure and media production. Based on our gap analysis, we feel that strengthening infrastructure—tools and services to achieve economies of scale, custom ownership models, and so forth—will have the greatest effect, as will contributions to fundamental industry development—education and capacity building, training in new technologies, the protection of journalists' rights, and so forth.

By financing the development of revenue generation capacity to tap the evolving market and infrastructure to improve production quality and lower costs, and by helping journalists and media organizations acquire the skills and mindset to monetize their products in an evolving consumer landscape, philanthropic organizations can make a fundamental difference.

## Appendix 1

### Interviewees

The following people and organizations were interviewed for this study.

MEDIA ORGANIZATION		SUPPORT/FUNDING ORGANIZATION
TRADITIONAL	NEW	
- Volkskrant	- Onderzoeksredactie	- VVOJ (support)
- NRC	- De Correspondent	- OCCRP (support)
- Argos (Public)	- Journalism	- GIJN (support)
- RTL Nieuws	- Blendle	- MDIF (funding)
	- Bellingcat	- OSF (funding)
	- Follow the Money	- Stichting Democratie en Media (funding)
	- EU Observer	- Stichting Pascal Decroos – Journalism Fund (funding)
	- ICIJ	
	- BIJ	

We conducted extensive desk research to inform our insights into other interesting models and organizations linked to quality journalism.

The following team conducted this study:

- **Teun Gautier** – a publisher and entrepreneur who has worked for several traditional media companies and cofounded a range of innovative initiatives in quality journalism
- **Pieter Oostlander** – a finance professional, venture philanthropist and social investor
- **Sam van Dyck** – a shared value consultant with a proven track record in communications, sustainable business and change management

## 52 ways to make money with quality journalism

TYPE	DESCRIPTION
<b>Advertising</b>	Traditional display or bannering
<b>Book publishing</b>	Use or re-use expertise and brand to publish in book form
<b>Brand spinoff – media</b>	Strong brands are able to broaden their offering under the brand by creating spinoffs such as a yearbook, a special edition, a trade publication for a specific sector or even games
<b>Brand spinoff – other</b>	Certain media brands might take advantage of their strength by moving into other sectors: for example, themed travel with <i>NRC Handelsblad</i> , or a <i>Quote</i> restaurant
<b>Branded content – delivery</b>	Use delivery channels to distribute branded or commercial content. <i>TPO Talk</i> is an example where commercial parties deliver their messages in a narrative form, beyond the familiar advertorial
<b>Branded content – production</b>	Produce or create content for commercial organizations (see previous item)
<b>B2B-B2C differentiation</b>	Re-use content in both B2B and B2C markets. For example, <i>NRC Handelsblad</i> might introduce a special “Finance” platform for the business sector
<b>Classifieds – horizontal</b>	Offer a broad selection of classifieds, comparable to <i>eBay</i> ; this requires significant penetration in a wide variety of market segments
<b>Classifieds – vertical</b>	Offer sector-, discipline- or audience-specific classifieds. Media with specialized expertise might introduce classifieds for their sector. For example, <i>OneWorld</i> has the largest job search site for the non-profit sector
<b>Consultative journalism – research</b>	Commercial organizations could perform traditional research or ask journalists to create investigative productions in a consulting capacity
<b>Cooperation – academia</b>	Work with resources, data and people from universities, which might also provide office space and other resources. This creates cost advantages and depth of information
<b>Cooperation – commercial research organizations</b>	Work with resources, data and people from consulting firms or institutes, which might also provide office space and other resources.
<b>Cooperation – crowd journalism</b>	Collaborate with other journalists or the public across national borders, disciplines or areas of expertise (data-research-narrative-technology)
<b>Data – archive monetization</b>	Resell high-end archive material, comparable to <i>LexisNexis</i>
<b>Data – semi-finished products</b>	Sell the building blocks for journalistic productions. For example, a piece about demographics in India that another journalist can use in a piece on the upcoming elections in India
<b>Data - lists and rankings</b>	Create and sell lists and rankings



<b>Data – polls and data scraping</b>	Conduct audience polls or scrape data for analysis. With enough reach, journalists can use their audiences to generate survey data on specific topics
<b>Data – sales of</b>	Sell or resell datasets you have created
<b>Data – predefined source lists</b>	Build, manage and sell lists of potential sources and experts. Expert journalists will have lists of and access to the key sources in specific domains; these can be monetized if other media seek those sources
<b>Data – trending analysis</b>	Create and manage trend information. See Data – polls
<b>Donations – corporate</b>	Commercial organizations donate to fund productions or infrastructure
<b>Donations – public</b>	Similar to crowdfunding but not item-specific. Where crowdfunding applies to specific productions, a journalist or platform might seek donations in this model
<b>Events</b>	Create events to generate sponsor and attendee revenues
<b>Government – in-kind support</b>	Governments can provide basic needs, such as office space
<b>Government – subsidies</b>	Governments can directly subsidize productions
<b>Grants – philanthropy</b>	Grants from horizontal or vertical philanthropists
<b>Grants – NGOs</b>	Topic-based grants from NGOs
<b>Product placement</b>	Paid listings of in-article use, non-spot
<b>Product reviews – reselling</b>	Reviews of products and paid links to resellers
<b>Reader revenue – crowdfunding</b>	Possibly equity-based cofunding and co-ownership of outlets or productions
<b>Reader revenue – memberships</b>	Memberships as subscription-plus model
<b>Reader revenue – per article</b>	Readers pay to access a specific production
<b>Reader revenue – retailing</b>	Offer products for sale. For example, <i>OneDayOnly</i> is a retail proposition by <i>NRC Handelsblad</i>
<b>Reader revenue – stand sales</b>	Traditional newsstand sales per issue
<b>Reader revenue – subscription</b>	Traditional subscriptions; possible differentiation of levels
<b>Reselling of developed technological infrastructure</b>	Offer proprietary tools or technology to other parties
<b>Retailing – collective buying</b>	Collectively buy products or services amongst readers
<b>Sell options on film rights</b>	Journalistic cooperative might option film rights to film/documentary makers
<b>Services – auctions</b>	Organize auctions whose revenues will be used to finance journalistic productions
<b>Services – conference speaker (direct or management of)</b>	Be hired as a conference speaker or collectively offer journalists who can be hired as speakers
<b>Services – consulting</b>	Reuse expertise and network for high-end, one-on-one consulting
<b>Services – content as a service</b>	Provide content that supports a specific activity, directly to consumers or through outlets
<b>Services – insourcing/payrolling</b>	Assume the employer role for journalists made redundant
<b>Services – mediate user forums</b>	Curate user platforms for commercial organizations
<b>Services – network management</b>	Curate, build, manage and monetize a network in your sector of expertise
<b>Services – outsourcing/temping</b>	Offer temp agency service to media-producing

	organizations
<b>Services – training</b>	Offer training courses or be hired as trainer
<b>Special editions/extra commercial editions</b>	Annual theme, vertical subjects or commercial
<b>Sponsoring – financial</b>	Financial support for productions or editorial domains
<b>Sponsoring – in-kind</b>	In-kind support for production or editorial domain
<b>Syndication – international</b>	Resell productions (original or translated) abroad
<b>Syndication – national</b>	Resell productions nationally
<b>Transfer fee for journalist leaving</b>	When a journalist leaves for another organization, they or the new employer pay a transfer fee

Appendix 3

