

MANAGEMENT REPORT 3/2014

Journalistic Startups in the Online World

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Overview of the Key Facts

- Although the majority of journalistic startups cover a wide range of topics, there is a significant number of specialized or local offers as well. Therefore, this study supports that online environments offer the necessary market characteristics for niche journalistic sites and content production.
- The convergence of media offers journalistic startups new opportunities for its content presentation. Text and visual content are the most widely used forms of presentation. More than half of the journalistic startups in our database incorporate videos.
- As the costs for bundling and distribution have decreased, the degree of vertical integration of these stages is high. More than one third of the startups have outsourced the creation of content to third parties since the cost for the creation of content is still high and not significantly dropping due to digital innovations.
- User integration, such as partly outsourcing specific tasks to the user, is an important business model element.
- Personalization options are almost exclusively implemented through apps by almost one fifth of the journalistic startups.
- There is potential innovation in journalistic business models by ways of combining revenue sources. For example, advertisement is the most widely spread revenue source. However, it fulfills a rather supporting role in revenue models of journalistic startups.

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1 Background of the Study

The Internet crucially changed the ways a modern society and the business world functions and therefore has influenced how companies conduct business as well. This is reflected in the e-commerce area. Yet relatively little is known about startups working in the field of journalism. Fewer barriers to entry, lowered distribution costs, and diverse technologies have led to the widespread practice of journalistic startups. New actors have emerged as the production, consumption, and distribution patterns of content transform. Considering the traditional business structures of the journalistic media industry, this study investigates journalistic startups concerning issues like content presentation, user integration, or revenue sources. This is the starting point for this study. It aims at giving insights into the different approaches of journalistic startups and provides a transparent view on their activities in an online and networked environment.

The remainder of this report is organized as follows. First, we present the data collection process and the structure of our data sample. In chapter 3 we present content-related aspects and in chapter 4 we will describe the business model-related aspects of our results. Finally, we provide an overview of the key facts in the conclusion at the end.

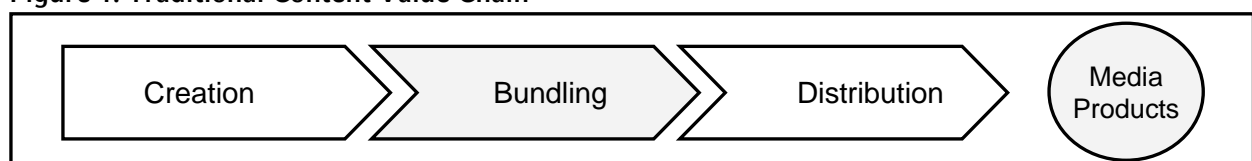
2 Foundations

2.1 Terms

Online journalism also known as digital journalism is a form of journalism where editorial content is distributed via the Internet as opposed to being published in traditional media. As the objects of investigation are journalistic startups, it is essential to define what henceforth will be understood as a startup or journalism. A *startup* is an innovative company that is not older than 10 years and shows growth or growth potential in any vital key performance indicator (German Startup Monitor 2013). *Journalism* is defined on a thematic level and on an activity level (Weischenberg 2006, Meier 2011). On the thematic level, journalistic topics are defined as new, factual, and relevant. Journalism therefore comprises the investigation, selection, and presentation of topics, which are new, factual, and relevant.

Further basic theoretical areas, which are relevant for the analysis of journalistic startups, are the social web, long tail, and customization theories as well as the content value chain (CVC) theory. The Internet has exponentially increased the economic viability of offerings that serve smaller target audiences interested in particular subjects. For one perspective on this, see Chris Anderson's "The Long Tail" theory providing insights into the representation of niche products in an overall demand curve (Anderson 2006). Moreover, customization theory gives information about how personalization affects a customer's valuation of a product. The concept of the CVC on the other hand describes the production process of media products. Incorporated steps in this traditional value chain are creation, bundling and distribution (Schumann and Hess 2006; Hess 2014). In the context of a social web increased social interactivity is of major interest.

Figure 1: Traditional Content Value Chain



2.2 Research Methodology and Sample

In the beginning of the sampling process it was important to define the key terms *journalism* and *startup* as described above, to create a basis of common understanding. Consequently, any picked research object would have to fit the two definitions by working in a journalistic field, showing growth or potential therefore, being innovative and not older than 10 years.

In the process of obtaining a valid sample there were two major difficulties. One was the absence of a comprehensive, predefined list of journalistic startups that could have been used to analyze the startups' activities and business models. Therefore it became necessary to combine multiple existing lists and databases to construct a database with the most interesting cases. The second obstacle was the importance of avoiding any approach that would favor any group of startups, thus creating a bias. To prevent this, any list containing only startups of one type or thematic focus were dismissed and the sampling process was rather focused on diverse listings of journalistic startups. The cases were chosen in order to collect a rich variety of business models, not to represent the field statistically correctly.

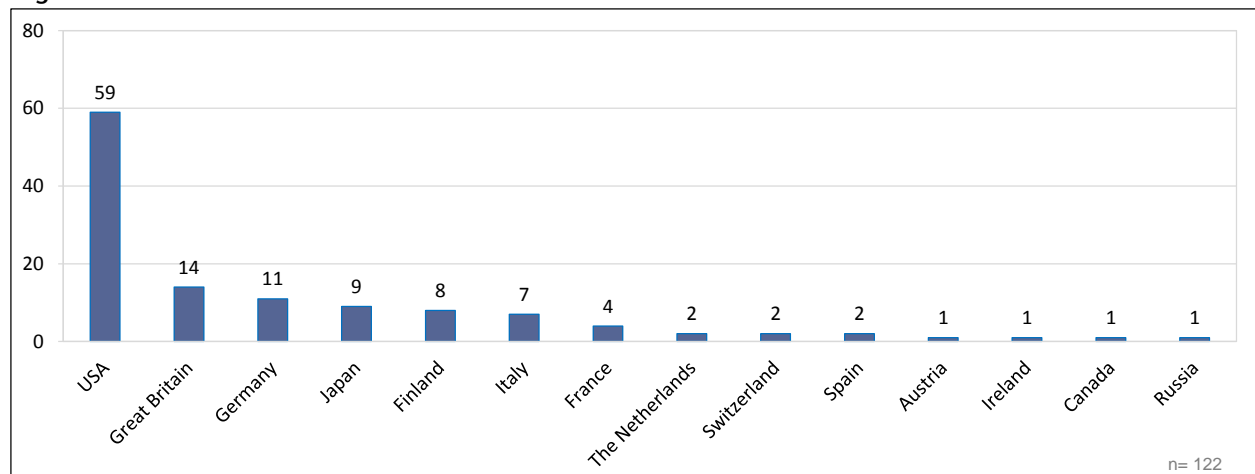
Starting point of the sample were two lists. One was derived from a database (submojour.net) from a study on the sustainability of journalistic business models and contained 69 potential objects of investigation (Sirkkunen et al. 2014). The second list of 15 journalistic startups was compiled from the input of Jannis Kucharz and Martin Giesler at the Republica 2014. The combined list incorporated 84 objects and was then used in combination with an Internet search to find other heterogeneous lists containing journalistic startups. The general search words were *journalism* and *startup*. The objects that had already been identified were used as one additional search word for that purpose. Furthermore the collaborative filtering of Apple's "iTunes app store" and the company database "CrunchBase" was used to detect additional objects that had drawn the media's and customer's attention.

We identified with this method 156 potential journalistic startups. The next step was to check all potential research objects on their fit with the definitions for *journalism* and *startup* and to eliminate all objects that did not suit. In general, it is important to remember, that the aim of the study was not to find one single journalistic business model but rather to list a variety of different models and try to find common traits among them. The final sample consists of 122 journalistic startups from a total of 14 countries in North America, Europe and Japan, founded between 2004 and 2014 (see Table 1 and 2).

Table 1: Year of Funding

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of Startups	78	12	7	14	15	17	14	7	10	9	9

Figure 2: Distribution of Countries



We described each startup in our sample with 43 attributes listed in the glossary at the end of this paper.

3 Summary of the Results

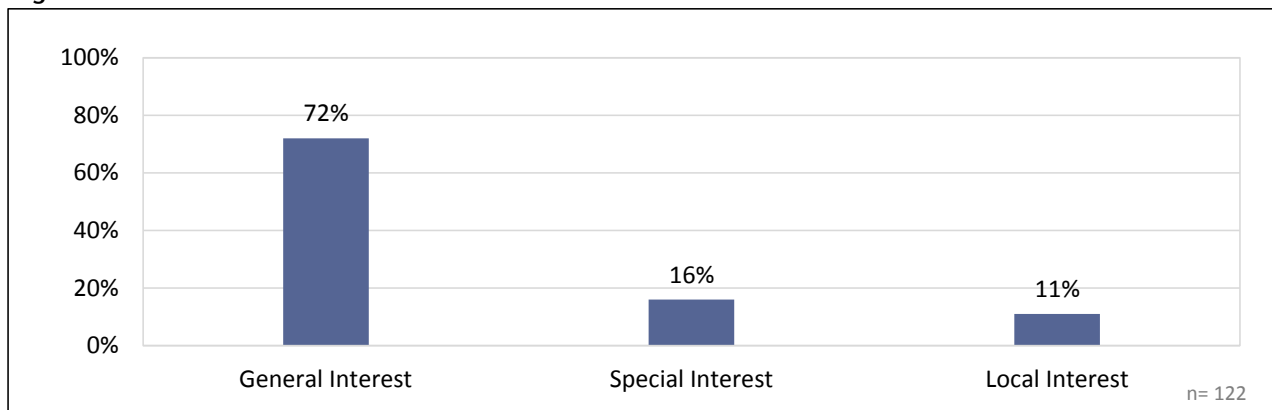
3.1 Content-related Perspective

The analysis of the journalistic startups leads to a series of interesting results. First we will look at the findings from a content-related perspective to show the startups thematic and medial emphasis of their offerings.

3.1.1 Thematic Focus

A great part (72 %) of the examined journalistic startups is dealing with a broad field of topics simultaneously. Online journalism relies heavily on targeted audiences built around niche themes such as hobbies or neighborhoods. In fact, there are significant amounts of startups concentrating on topics of special (16 %) and local (11 %) interest. A special interest focus means concentrating on one single thematic area such as politics or sports, whereas a local focus means concentrating on a small, well defined, geographic area. An example for a startup with a general interest focus is the popular news app "Flipboard". An example for a startup, which focuses on local interests, is "Da Hog'n", a German local news site offering news and information about the Bavarian forest. The technology blog "Engadget" is an example from our database for a special interest focus journalistic startup.

Figure 3: Thematic Focus



Key Fact 1:

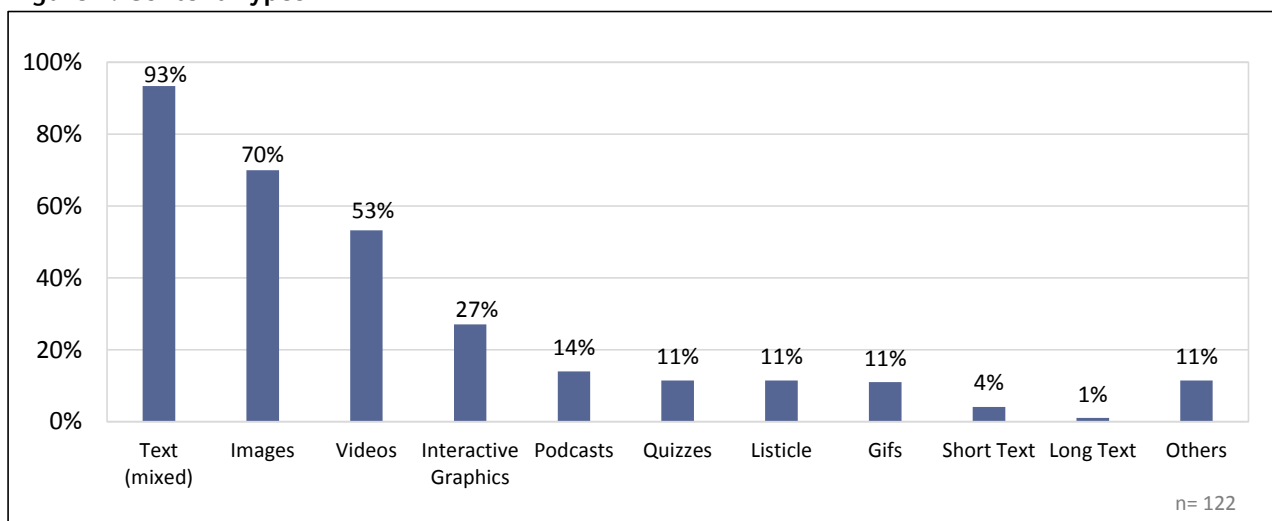
Although the majority of journalistic startups cover a wide range of topics, there is a significant number of specialized or local offers as well. Therefore, this study supports that online environments offer the necessary market characteristics for niche journalistic sites and content production.

3.1.2 Content Types

Journalistic startups use a variety of different content types. The emergence of digital technologies created new possibilities and influenced the development of innovative content presentation. New functionalities in the online world change and transform the ways, in which content can be displayed to the consumer. Therefore, a greater degree of creativity can be exercised with digital journalism when compared to traditional journalism. Whilst text modules of mixed lengths (93 %) are still the dominant type, there are many more opportunities for content presentation and distribution. For example there are startups specifically focusing only on long or short text implementation. Images (70 %) have maintained their role as an important form of content as well. Especially in supporting text based content and overall design. More than

half of the examined startups use video implementation to display content. The influence of digital technologies on the content type variety is shown in the increased use of consumer-content-interactivity. The reception of news content has shifted away from mostly passive, mass reception to more interactive, individualized modes of active engagement. Interactive Graphics (27 %) like adapting diagrams, displaying additional information when requested by click, or Quizzes (11 %) have opened up new approaches on how content is displayed and consumed. Other noteworthy types are Gifs (11 %) and Listicles (11 %). The spectrum of content presentation forms ranges from an “all-is-possible” approach to the exclusive use of just one content type. “Nowthisnews” which uses, mainly short, video clips to inform its users of the latest news is one fitting example for a startup consequently using one type of content exclusively. In contrast to that, the British social news and feed aggregator “Taptu” uses a broad mix of many different technologies to convey their content to the users.

Figure 4: Content Types



Key Fact 2:

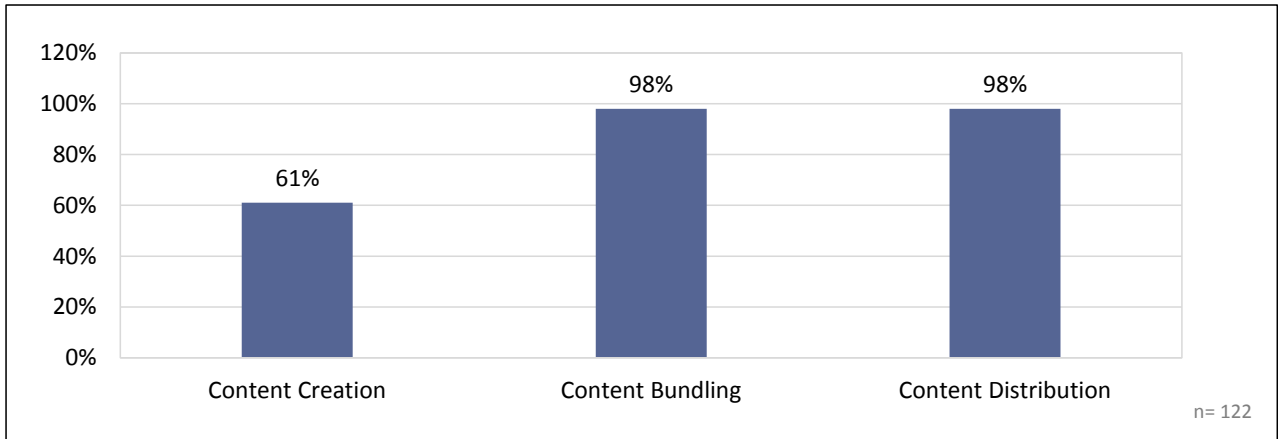
The convergence of media offers journalistic startups new opportunities for its content presentation. Text and visual content are the most widely used forms of presentation. More than half of the journalistic startups in our database incorporate videos.

3.2 Business Model Perspective

A second important perspective is to take a look at the different approaches in business model design. The term business model describes the rationale of how an organization creates, delivers, and captures value. We have used this concept rather broadly covering the value chain stages, the content sourcing approaches, the value proposition that the outlet is offering with regard to user integration and personalization, and the revenue models employed by the startups.

3.2.1 Position in the Value Chain

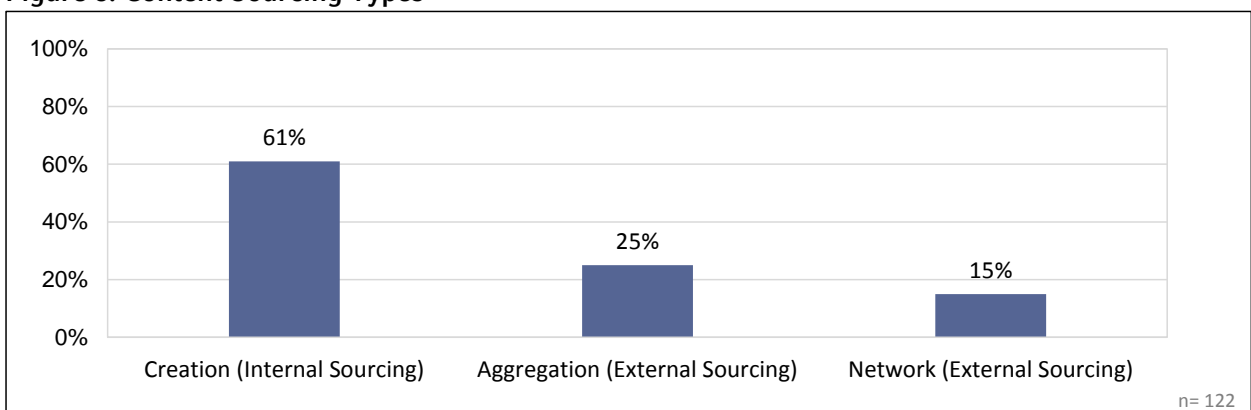
Almost every journalistic startup in our database bundles and distributes content, whereas only 61 % actually create content themselves. As creation costs have remained substantial, it has become attractive to aggregate content created by third parties and to distribute this new bundling of content to the consumer. Only two startups in the sample are specialized creators that do not bundle or distribute their own content to consumers. The reasons for this are lower costs for bundling and distribution due to digital innovations.

Figure 5: Integration of Content Value Chain Stages**Key Fact 3:**

As the costs for bundling and distribution have decreased due to digital innovations, the degree of vertical integration of these stages is high. More than one third of the startups have outsourced the creation of content to third parties since the cost for the creation of content is still high.

3.2.2 Sourcing of Content Production

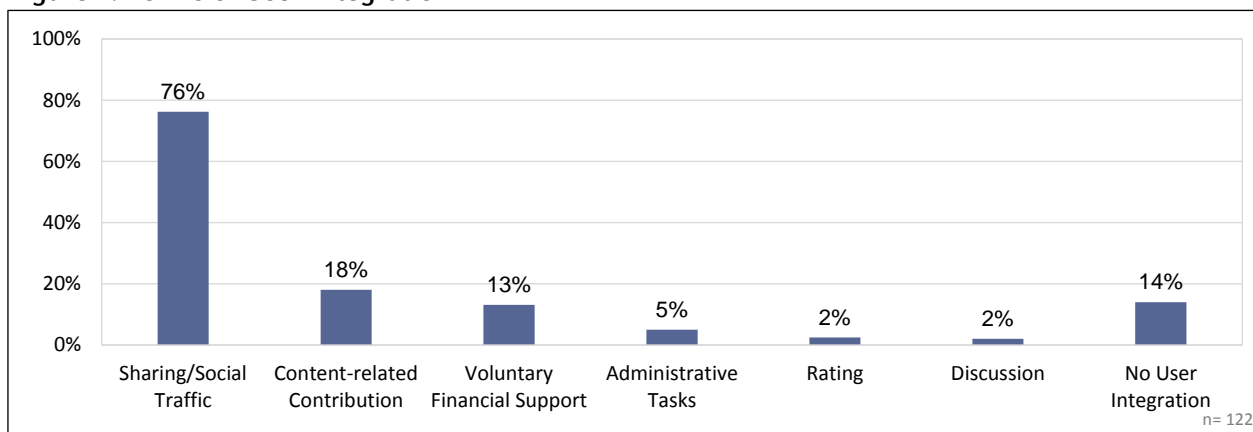
The analysis of the journalistic startups showed that business models based upon the creation of content by the startups itself are, as mentioned above, prevalent in our results (61 %). These startups focus on the production of original content. The remaining 39 % of the startups fall into two main categories: those, which use aggregation mechanisms and those, which rely on networks to acquire content. Content sourcing through aggregation (25 %), means that the relevant startup gathers content from various external sources through either personnel, algorithm or both. Content sourcing from a network (15 %) means that network members contribute content that they created or gathered themselves into the network. The content is then arranged, displayed and/or even marketed to other network members or third parties. An example for a startup that sources its content through domestic production is the data journalism site "FiveThirtyEight". "Patch.com", a network of hyperlocal news sites, is representative for content sourcing using a network, whereas startups such as "Yahoo News Digest" or "Circa" stand for an aggregation-based approach.

Figure 6: Content Sourcing Types

3.2.3 Extent of User Integration

The Internet has also given rise to more user participation. Over three quarters of the examined startups give their users the opportunity to share content with others and thereby contribute to the startups content distribution. Considering high costs for content production, user integration in form of content production or similar content-related contributions (e.g. photo of a plane landing on the Hudson) is an interesting and attractive business model element. Consequently already 18 % of the startups actively use this form of user integration. Financial support (13 %) is another form of user integration where the user voluntarily gives money to the startup, in form of donations, voluntary subscriptions, or crowdfunding. This becomes specifically interesting when the issue of journalistic independence comes to mind, as it can be more easily maintained when being financially independent. Looking at the importance of administrative tasks to handle big amounts of data, it is interesting that already 5 % of startups employ their user's help for tasks like content curation or moderation. Other, less often used forms are discussions (2 %) or content rating (2 %). Beyond that, nearly every offering includes social recommendation systems (e.g. like- or pin-buttons) and a commentary section (either generic or through social media applications), which for this reason are not mentioned here. One startup that efficiently integrates its users in its content sourcing processes is the Italian startup "Youreporter" where users are invited to submit primarily video content and news from their personal experiences and environment.

Figure 7: Forms of User Integration



Key Fact 4:

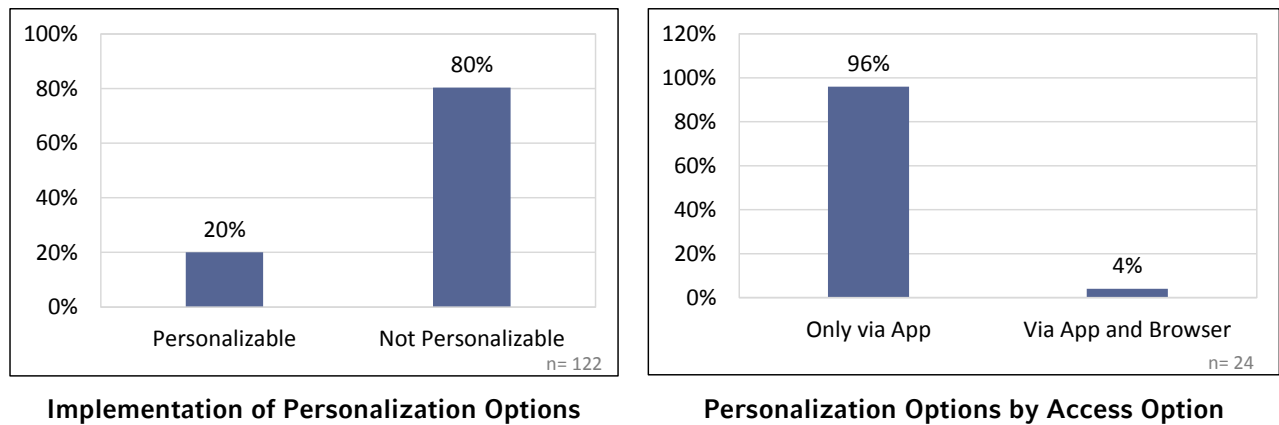
User integration, such as partly outsourcing specific tasks to the user, is an important business model element.

3.2.4 Extent of Personalization

The Internet also offers options such as personalized news feeds and aggregators. Startups can deliver users a unique experience with content personalization features and can serve them with most relevant content. The increasing implementation of options, through which a user can personalize the presented content, is present in about one fifth of the offers. An important factor is the implemented access option. If there is the possibility to access content via app, in addition to or instead of an access option via browser, the prevalence of personalization options increases. The user can customize over 95 % of the personalized offers via app. Moreover, it seems as if especially offerings that cover a broad range of topics and do not have a specific thematic focus can be personalized. Popular news aggregators like "Simply" or

“Digg” have integrated options for personalization to handle the massive amounts of content they aggregate.

Figure 8: Personalization Options



Key Fact 5:

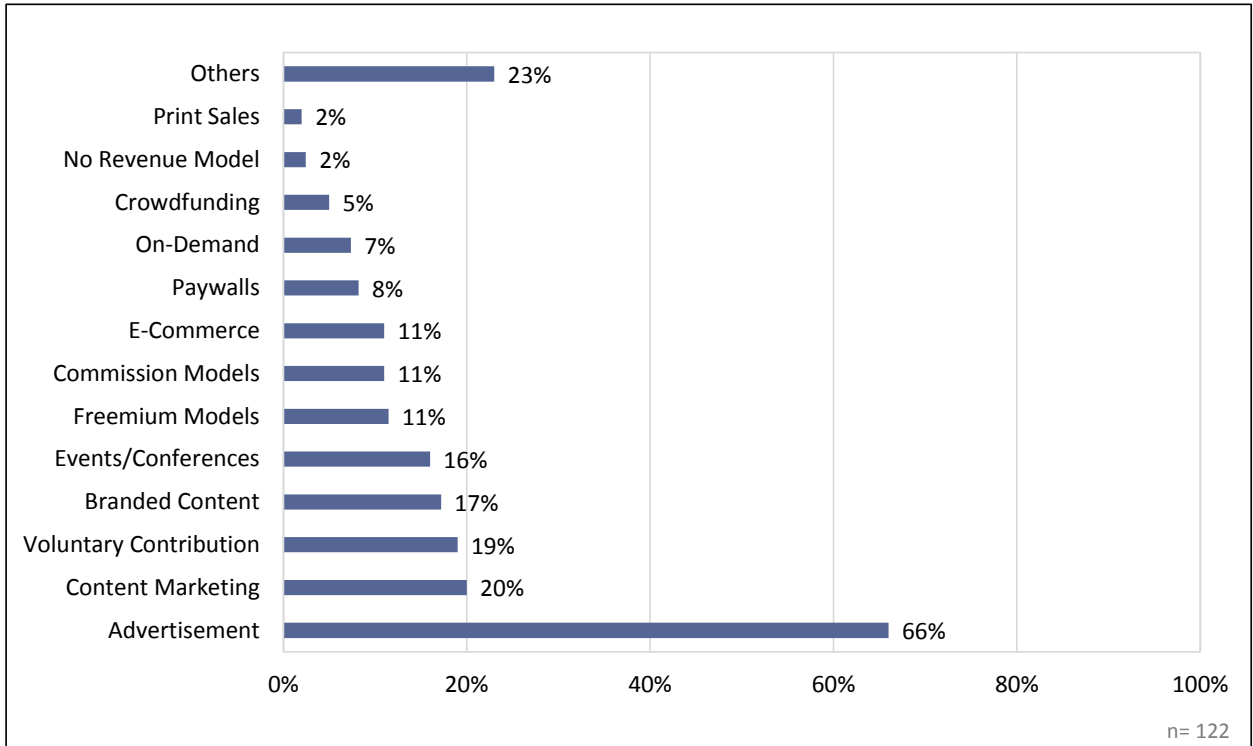
Personalization options are almost exclusively implemented through apps by almost one fifth of the journalistic startups.

3.2.5 Revenue Model

Revenue generation is an essential part of any business model and the study was able to identify several revenue sources used. There are different ways, through which journalistic startups approach this matter in order to make profits. As such, while there may be a lack of new revenue sources among startups, there are new ways in which revenue sources have been combined. One can concentrate exclusively on one single revenue source, use a mix of some select sources, or even employ a broad and flexible revenue model with many distinct sources. It is therefore crucial to keep this differentiation in mind when looking at the importance of revenue sources. Advertisement is still the prevalent revenue stream. However the importance of advertisement as an exclusive revenue source is less pronounced. While about two thirds use ad placement, either through own banners or ad networks, only about 10 % use it as their exclusive revenue source. In contrast, branded content is used by only 17 % of startups and about one third of those do not use any other source. The second most common source is content marketing (20 %). As mentioned when portraying the user integration in 3.2.3, voluntary financial contributions (19 %) from users or institutions are frequently picked as well and in many cases and help to ensure independence. In the same context, crowdfunding (5 %) has a low dissemination. A more surprising result is that a noticeable amount of startups use events and conferences (16 %) to support their journalistic operations. Thereby it is important to mention that this source is more widely spread among startups with a local or special interest focus that source their content through domestic production. This seems logical as local providers can more easily gather people for offline events and startups specialized on a thematic area can more credibly claim specialist status in the marketing for their events on a specific topic. Freemium revenue models (11 %) and classic paywalls (8 %) were evidenced as methods to charge for content. Less common were revenue sources such as commission models (11 %), e-commerce models (11 %) and on-demand services (7 %). Moreover, some startups have even started to publish a printed edition after having begun with an online edition only. Beyond these identified revenue sources, some startups have not yet established a revenue model. Whilst some startups like “Blendle” or “Laterpay” try to finance their operations through commissions by offering a platform that constitutes a marketplace for other content

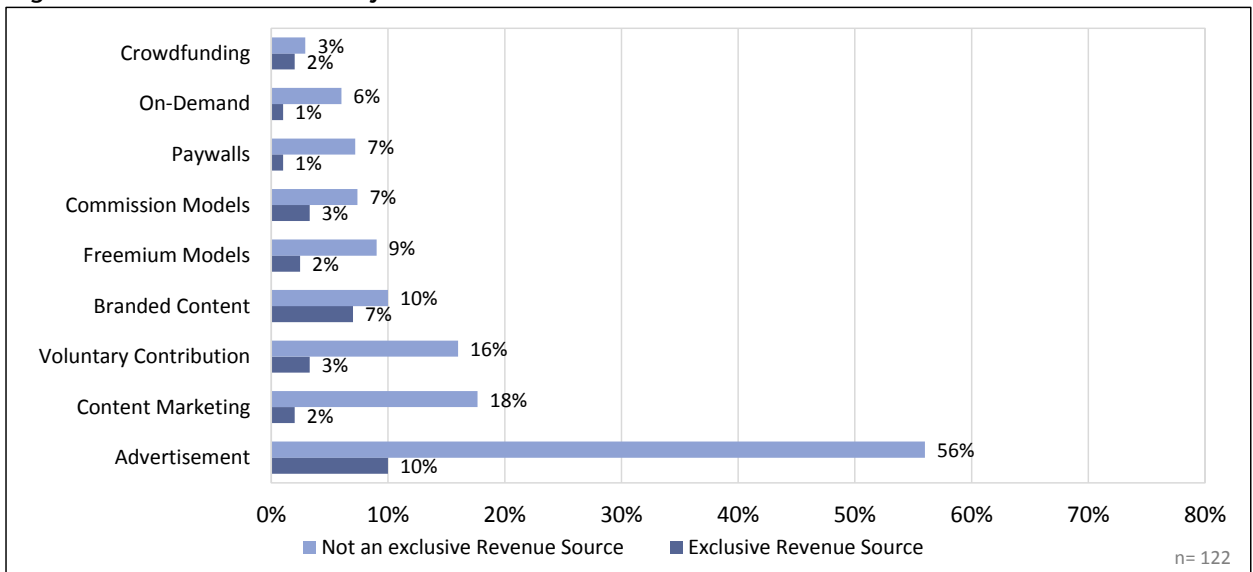
suppliers, the two German projects “Krautreporter” and “Crowdsponent” put their faith in crowdfunding. However other startups such as the Suisse “Watson” still concentrate on an indirect monetization strategy using advertisement exclusively.

Figure 9: Revenue Sources



The findings show that print sales, e-commerce models and events are never used as an exclusive revenue source and take a more supporting role in modern journalistic revenue models.

Figure 10: Relative Exclusivity of Revenue Sources



Key Fact 6:

There is potential innovation in journalistic business models by ways of combining revenue sources. For example, advertisement is the most widely spread revenue source. However, it fulfills rather a supporting role in revenue models of journalistic startups.

4 Key Insights

This study investigated 122 journalistic startups from different countries. It has created an online database detailing the content-related and business model aspects of startups that meet the definition of journalism. There is a diverse set of cases in the database, all with their distinctive interpretation of serving users with content. The aim of the study was not to find one single successful business model but rather to list a variety of different models and try to find common traits among them and see what kind of business models the journalistic startups are using.

The new Internet environment has allowed for experimentation on many different levels. Firstly, the findings show that the majority of journalistic startups cover all stages of the traditional content value chain. However, over one third of the journalistic startups in our dataset do not create content by themselves. Startups that use external sources for content creation are startups categorized as aggregators or networks. Aggregators identify content and only cover the value chain's stages bundling and distribution. Startups that rely on a network of contributors for content creation focus on bundling and especially distribution because users can distribute their content over the network. Thus, business models do not necessarily need to be based on journalistic content creation. Secondly, digital journalism opens up new techniques of storytelling and transforms how information is received. The results showed that journalistic startups use a variety of visual media to convey content, such as video, images, and some interactive forms. The use of rich media corresponds to the possibilities of the new online world and reflects the activities in the web 2.0. Thirdly, the Internet creates an opportunity for personalization options, allowing people to have more authority as to what to view and read. The study supports that several journalistic startups with a general interest focus address this market characteristics. However, there are also business models based on offering predetermined niche journalistic content. Thus, the Internet enabled content providers to better adapt to the needs and special requirements of the consumers, either through personalization or niche content. Furthermore, including the customer is also an important strategic business models element for content providers. Startups encourage users to generate, aggregate and distribute content. However, one main element of journalism is to provide factual and accurate information. This definition is changing because almost anyone can contribute and impact in the digital area of journalism. Lastly, the majority of journalistic startups includes more than one revenue stream and diversifies its revenue models in relatively innovative ways, whereas revenue streams in the traditional media world are mostly based on subscription and advertisement fees. Journalistic startups utilize new revenue models since the success of paywalls is limited by the widespread reluctance to pay for news.

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Glossary

We used the following attributes to describe the startups in a systematic way:

Criteria	Explanation
Position in CVC	
Creation	The startup creates content as part of its business model.
Bundling	The startup bundles content as part of its business model.
Distribution	The startup distributes content as part of its business model.
Content Sourcing	
Creation	Content is sourced through internal creation.
Aggregation	Content is sourced through aggregation from external sources. The type of aggregation used does not affect this criterion.
Network	Content is sourced using a network which is associated with the startup. However the type of network design does not matter.
Thematic Focus	
General Interest	Content covers a series of different thematic areas.
Special Interest	Content covers a specific thematic area.
Local Interest	Content does have a distinct local focus.
Personalization Options	
Personalizable	Content can be personalized by the user.
Not Personalizable	Content cannot be personalized by the user.
Active user integration	
Sharing/ Social Traffic	The user has the option to actively share content via social networks or email.
Evaluation/ Rating	The user has the option to evaluate content (e.g. prioritization).
Selection/ Curation/ Moderation	The user contributes to the presentation and selection of content. The user can actively select, arrange or moderate content.

Production/ Content-related contribution	The user can create content for the operator.
Financial Support	The user is regarded as a financial source and can support the startup monetarily in any form.
Discussion	The user can actively take part in a discussion. The discussion offers user the possibility to contribute additional content.
None	The user is not actively integrated. This excludes passive activities such as reading and standard tools such as Like-Buttons or commentary functions.
Content types	
Text (mixed)	The text modules are used in a variety of ways (e.g. text length)
Long Text	Long text modules are used. Especially in form of long read articles concerning documentations or extensive reports.
Short Text	Short text modules are used (e.g. headlines, short summaries)
Images	Content in the form of Images and photography.
Video	Content in the form of videos.
Podcasts	Content in the form of podcasts.
Gifs	Little image sequences applying the Graphic Interchange Format.
Quizzes	Content in form of quizzes is presented to the user.
Listicle	A short-form of writing that uses a list as its thematic structure.
Interactive Graphics/ Maps/ Charts	Graphics are used to display content. This includes maps, simple informing charts or interactive elements which enable the user to retrieve more detailed information on request.
Other	All single entries or very rarely used content types (e.g. radio).
Revenue model	
Advertisement	Applying advertisement next to the content offering. It is irrelevant what system is used to do so.
Branded Content/ Sponsored Posts/ Native Advertising	Embedding paid branded content into the content offering. The integration of content conforms to the visual and basic composition of regular content.
Content Marketing	Marketing the created content to other content providers.
Paywall/ Paid Content	Raising monetary paywalls for the offered content.
Freemium-Models	Offering a pricing strategy by which the content is provided free of charge, but money (premium) is charged for proprietary features, functionality, or virtual goods.
Print Sales	Selling printed editions of the content offering.
Commission Models	Commissions can derive from forwarding customers to other content, direct intermediation of users, shares of advertising revenues or from the presentation of external content.
On-Demand	Content is produced according to customer request.
Crowdfunding	Ex-ante crowdfunding of content.
Donations/ Voluntary Contributions	Donations, voluntary subscription systems or comparable constructs.
E-Commerce/ Affiliate Links	Sale and distribution of products. It does not matter, whether these revenues are achieved through an own shop or the distribution of external offerings via affiliate marketing.
Events/ Conferences	Organizing events and conferences (e.g. event-specific sponsoring and participation fees).
None	The respective startup does not have a revenue model yet or no established revenue model can be identified.
Other	Under this occurrence all single entries as well as very rarely mentioned revenue sources are summarized (e.g. consultancy)