



The Jury is Out: The *Long Beach Post* and Online Local News Teaching Note

Case Summary

There is a crisis in American journalism. That is the national backdrop to this study of one small community news website in a suburb of Los Angeles. Existing news magazines and newspapers face serious threats to their continued profitability and viability. However, thousands of blogs and hyperlocal community news websites have entered the scene. The accessibility of the Internet and inexpensive technology have combined to lower the barriers to entry, allowing entrepreneurs to launch new efforts to try to satisfy local information needs. But it is still unclear whether these new businesses will survive. Much of the early attention on start-up enterprises has been on the news or content side of the business, but it is the advertising or sales side of the business that is often the most challenging. Without revenues and profits, these businesses will not make it.

The local advertising market has always been the untapped Holy Grail in media business and now is one of the fastest growing. Billions of dollars are spent on Yellow Pages, classified advertising, coupons, direct mail, weekly and daily newspapers, billboards, and cable. The competition is intensifying with the entrance of big online players such as Groupon, Google, Facebook, Yahoo, AOL Patch, and Craigslist, among others. For smaller startups, it's a messy and challenging business to secure those advertising dollars.

This case tracks the launch and execution of a community news website in Long Beach, California, showing how difficult it is to develop a business model that will both survive and eventually thrive.

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The case focuses on the challenges facing Shaun Lumachi, one of the founders of the *Long Beach Post*, which launched in 2007. When Lumachi and his co-founder Robert Garcia initially developed the idea of their new online community newspaper, they saw it as a community service. It was only after the website was up and running that they realized it was also a business that had to generate a profit if it was to survive and thrive long term. (They actually did consider making the business a nonprofit but decided not to go down that path.)

Like others who have launched hyperlocal community news sites, Lumachi and Garcia focused initially on content and technology for the site before thinking through the business model, and particularly the challenge of attracting revenue to the enterprise. They did not start with a sales strategy but developed it over time through a series of trials and errors. At the same time, the site was quickly a reader success, attracting a growing number of visitors and interest from community leaders. At one point, they launched a companion site focused on local high school, college, and community sports. It won editorial awards, ramped up readership, and earned praise but turned out to be a financial drain and was eventually merged back into the original site.

This case allows students to experience the real-life challenges facing local, independent, online journalism entrepreneurs.

Teaching objectives

Use this case to discuss different business models in journalism. Also use it as a platform for talking about journalism entrepreneurship, local media markets, and community outreach. You might combine it with a Columbia University case study on the *Voice of San Diego*, an examination of a nonprofit (as opposed to the *Long Beach Post* for-profit) local news site: *Not for Profit? The Voice of San Diego Experiment*; CSJ-10-0025.0 Knight Case Studies Initiative, Columbia University. See: <http://casestudies.jrn.columbia.edu>

Class Plan

Use this case in a course about the business of media; online media; community news; or journalism entrepreneurship.

Study question. Help students prepare for class discussion by assigning the following question in advance:

a) The founders of the *Long Beach Post* did not have a written business plan before they launched and afterward developed only a few written goals. How detrimental was it to their business not to have an in-depth business plan? [NOTE: if this topic is of special interest, consider

assigning the following book as background: Jeffrey Timmons, Andrew Zacharakis, and Stephen Spinelli, *Business Plans That Work* (New York: McGraw-Hill), 2004]

Instructors may find it useful to engage students ahead of class by asking them to post brief responses to this question (no more than 250 words) in an online forum. Writing short comments challenges students to distill their thoughts and express them succinctly. The instructor can use the students' work both to craft talking points ahead of class and to identify particular students to call upon during the discussion.

In-class discussion. Two approaches to the class presentation of this case are offered below. The first one is a brainstorming session focused on new revenue streams for online journalism. The second is a series of questions focused on the sustainability of community news sites generally and managerial decisions from the case. Depending on the class goals and time constraints, you can use either approach, or both.

Class Brainstorming Exercise

One of the biggest challenges for the *Long Beach Post* is the difficulty of generating sufficient revenues to make the enterprise self-sustaining. Tell the class in advance that you plan to hold a "brainstorming session" to develop ideas that a website could use to attract revenues. Students should be encouraged to focus on reasons why a particular idea could work, rather than why it might fail. (One tool is to announce that anyone who is critical of an initial idea will be fined \$1—or some other nonmonetary punishment—for every criticism.) Once you have a list of ideas, then you can go back through them with the class and discuss the pros and cons of each, but allowing criticism of the ideas as they are presented will reduce the number of ideas offered. Here are some possible ideas:

Webinar. Find a topic of interest to an audience and a particular advertiser. The advertiser creates a video to air on the site as a webinar. Readers sign up for free. The advertiser gets the names and emails of the attendees as possible sales leads in exchange for a sponsorship fee. For example, a real estate agent might conduct a webinar on how to shop for a home.

Microsites or Sole Sponsorships. Dedicate a portion of the site, or create a new one, to a single subject with one exclusive advertiser. For example, all the content on a local high school team could be sponsored by a local car dealer.

Sponsored Newsletters. Send out a weekly email newsletter to subscribers on a specific niche topic, sponsored by one or two advertisers.

In-person Events. There are a range of possibilities. Events can be high-level training in a specific area of interest to local businesses, say "marketing your restaurant" to restaurant owners, in which an admission fee can be charged. Or events can be open to the public and generate revenues through sponsorships. For example, the Long Beach 10 Most Powerful could become an annual dinner funded by both attendee fees and sponsorship packages.

Partnerships. Partner with other sites or blogs to sell advertising or participate in an online ad network. For example, find an online coupon site that will share revenues generated by readers who click through to it.

Google AdSense. Although not usually a significant amount of revenue, some sites find this worthwhile, and very easy to implement.

Referral fees for product sales. E-commerce sites like Amazon will allow you to put a “button” on your site and give you a commission for any product sale generated by someone who clicks through from your site.

Store. If you develop content to engage and attract a certain niche of people, then why not offer products you know will appeal to them?

By-products. Journalists can also create products related to their activity or specialization. Ask yourself, “What else are you creating? A wealth of data about a story or topic? Stock footage or images? Training opportunities? A book or DVD?” (See Adam Westbrook reading cited below.)

Paywall. If your information is unavailable elsewhere, readers might be willing to pay a subscription fee.

Archival fee. Old stories might be valuable to certain users. Consider charging for access.

Reader donations. Encourage readers to contribute to the site with a link on the home page for donations.

Grants. Although they are not a stable source of funding, many community news sites started with some kind of grant.

Advertising packages, premiums, and discounts. Consider varied programs for advertisers. For example, a long-term ad commitment with a discount; discount for first-time advertisers; discount for referrals to another advertiser, etc.

Sales incentives. Give salespeople incentive to focus on a particular industry or type of advertising program by creating special one-time commissions.

Consultant services. Some publishers of community news sites have generated substantial earnings from consulting services on such topics as local marketing, social media, and community building.

Syndication. Sell content for publication by other news outlets, or share advertising.

Coupon deals. Use your local knowledge to negotiate group deals with local businesses. They offer one-time discounts to new customers, your readers get a great deal, and you earn a percentage on each transaction. Some community news sites have partnered with existing coupon services.

For additional ideas and examples, see the Steve Buttry, Michelle McLellan, Michael Skoler, and Adam Westbrook articles cited below under Suggested Readings.

Class Questions and Discussion

The instructor could pose any of the following questions in order to promote an 80–90 minute discussion. The choice of questions will be determined by what the instructor would like the students to learn from the class discussion.

- a) The *Long Beach Post* started from scratch, funding the launch with the founders' own money. How else might such an organization get started? Discuss alternative sources of funding to start a community news site.
- b) Were you surprised that it was difficult to get unpaid contributors to consistently provide high quality content? What's the best strategy for exploiting "user generated" content?
- c) The founders of the *Long Beach Post* did not have a written business plan, but a few months after launch they realized they should set some goals. How would you evaluate the goals they set? Did they include all the key issues that were critical to their success?
- d) Lumachi and Garcia developed their own technology and executed three different website redesigns. This was both expensive and time consuming, but the technology works well. Discuss the pros and cons of developing their own content management system vs. using open source software or buying an off-the-shelf system.
- e) Lumachi and Foster developed a sponsorship approach for selling advertising that doesn't depend entirely on high traffic requirements because it doesn't use the CPM model. What are the advantages of this approach? Any negatives? Discuss other things they might do to develop this approach and better compete with the major players in local advertising.
- f) The *Long Beach Post* developed many interesting features including "Person of the Year," "Ten Most Powerful," an online database showing the salaries of city employees, "The Long Beach election center," and "LBPostLive," but did not effectively exploit them to drive revenue streams. Discuss how they could generate revenues from these features.
- g) Lumachi said that LBPOSTsports.com was a good idea at the wrong time. Do you agree? What are other types of niche content that should be included on a community news web site? Discuss strategies they could have developed to generate profitable revenues for a community, high school, and/or college sports site.
- h) Some news organization websites use partnerships to reduce costs or generate revenues. Is that a good approach for the *Long Beach Post*? Do you have any specific suggestions of potential partners? Is it a good idea to try to partner with a major print newspaper in the area?
- i) What is the best way to compensate sales people? What are the advantages and disadvantages of relying on a commission-only system without any base salary? Lumachi tried a commission-only approach early on and then returned to it later. Why might that be? How do you create the right incentives to ensure sales success?

j) Lumachi is considering adding a second sales person. What factors should he evaluate before adding the cost of another sales staffer? How long should it take before that person can generate sufficient revenues to cover the compensation cost?

Suggested readings

Students could be asked to review and summarize at least one of the following readings before class:

“Community Journalism,” *The State of the News Media 2010*, Pew Project for Excellence in Journalism, 2010.

SYNOPSIS: This is the seventh edition of the annual report on the health and status of American journalism. The 2010 issue devotes one of its special reports to community news sites, including a “study of the most highly regarded” sites. The special report also contains the results of extensive research on citizen journalism and community news sites conducted by a “multi-university team of academics” and funded by the Pew Charitable Trusts and the John S. and James L. Knight Foundation.

<http://stateofthemedias.org/2010/special-reports-economic-attitudes/community-journalism/>

Michelle McLellan, “Emerging Economics of Community News,” *The State of the News Media 2010*, Pew Project for Excellence in Journalism, 2011.

SYNOPSIS: In the 2011 report, the author reviews revenue trends in online community news. The three main topics are: diversified revenues, audience targeting, and community engagement.

<http://stateofthemedias.org/2011/mobile-survey/economics-of-community-news/>

Survey of promising community news sites, Reynolds Journalism Institute, May 2010.

SYNOPSIS: This is a telephone survey of 66 local online news publishers whose sites met Reynolds’ criteria: produce original news; set the goal of being accurate, fair, and transparent; and earn revenues in April and May 2010. The oldest site dated from 1998, but some two-thirds were

founded in 2008 or 2009. They vary widely in reach—from 1,200 to 400,000 unique visitors a month. The online publishers are predominantly white men, more than half college educated, and range in age from 22 to 68.

<http://www.rjionline.org/fellows-program/mclellan/block-by-block/part-1.php>

Block by Block: Community News Summit 2010, Reynolds Journalism Institute.

SYNOPSIS: Here are recorded video sessions of this summit held in Chicago in 2010. Some of the leading pioneers of online local news sites gathered to “learn what’s working—and what needs work—from the frontlines of community news on the Web.”

<http://www.rjionline.org/events/stories/mclellan-sept-event/registration/livefeed.php>

Jan Schaffer, “New Voices: What Works, Lessons From Funding Five Years of Community News Startups,” J-Lab, 2010.

SYNOPSIS: J-Lab has funded community news startups since 2005. This report summarizes what it has learned. Some of the main conclusions: “Engagement, not just content, is key: Robust and frequent content begets more content, but it’s the engagement with users that make sites successful. Sweat equity counts for a lot: Projects built on the grit and passion of the founders have created the most promising models for sustainability. Community news sites are not a business yet. Income from grants, ads, events, and other things falls short, in most cases, of paying staff salaries and operating expenses. Demand for start-up funding is high. We had 1,433 applicants for the 55 projects that were funded.”

http://www.kcnn.org/nv_whatworks/pdf/

Alan D. Mutter, “Community news sites are not a business yet,” *Reflections of a newsosaur* [blog], October 6, 2010.

SYNOPSIS: This article further develops one of the main conclusions of J-Lab’s report: community news sites are not a business yet. Mutter analyzes the obstacles that these sites face when trying to develop a sustainable business model.

<http://newsosaur.blogspot.com/2010/10/community-news-sites-are-not-business.html>

Steve Buttry, "Entrepreneurial journalists should pursue several revenue streams," *The Buttry Diary* [blog], October 31, 2010.

SYNOPSIS: "Entrepreneurial journalists make a mistake if they think advertising is their only potential revenue stream." With that starting point, Buttry develops an extensive list of new revenue streams that community news sites can exploit to be sustainable. He also suggests that community news sites should focus on new and more effective ways to approach advertising and explains some of these methods: "While display advertising is an important revenue stream for journalism entrepreneurs, you can find opportunities (and increased value) in helping businesses reach exactly the customers they want."

<http://stevebuttry.wordpress.com/2010/10/31/entrepreneurial-journalists-should-pursue-several-revenue-streams/>

Adam Westbrook, "Revenue streams for your news business," *Adam Westbrook: online video & entrepreneurial journalism* [blog], March 21, 2011.

SYNOPSIS: Westbrook assembles 10 original revenue streams for news entrepreneurs. For those who worry that journalism can't make money, he offers a targeted combination of revenue sources that could help keep a start-up going.

<http://adamwestbrook.wordpress.com/2011/03/21/10-revenue-streams-for-news-business/>

Jeffrey S. Klein, "Getting Serious About Expenses and Asking for Money," Session held at the Knight Digital Media Center News Entrepreneur Boot Camp 2010.

SYNOPSIS: Video. Klein starts with the premise that "cash is king." He emphasizes the importance of business knowledge and business focus for entrepreneurial journalists, and encourages journalists to spend as much time thinking about business issues as content development. Klein gives some important advice on: business models, revenue, cost structures, competition, audiences, and particularly on selling advertising.

http://www.knightdigitalmediacenter.org/seminars/video5_1/news_entrepreneur_boot_camp/

Howard Owens, "Six keys to local news start up advertising revenue success," Howard Owens [personal blog], September 2010.

SYNOPSIS: Owens gives six useful tips for community news sites to approach ad selling: Keep it simple; It's the relationship, stupid; It's all about market share; If you're local, be local; Don't overprice your ads; and Don't be afraid of metrics.

<http://www.howardowens.com/node/7359>

Michael Skoler, "Steal This Idea! Hot new revenue for News," *Reynolds Journalism Institute Blog*, March 17, 2010.

SYNOPSIS: Skoler writes that "you use your knowledge of the local scene, your brand, and your contacts to negotiate group deals with local businesses from bars to restaurants to dry cleaners. The businesses offer big one-time discounts to attract new customers, your audience gets access to great deals, and you broker the deal on your site and get a substantial cut of the money. It's already happening around the country."

<http://rjicollab.ning.com/profiles/blogs/steal-this-idea-hot-new>