



Crowdfunding Journalism: An Alternative Business Model

Harnessing the power of crowdsourcing to fund news and journalism



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As the information age continues to consume society and penetrate citizens' daily lives at an increasing rate, the commercial model in which it is created remains. As a result, news media is heavily saturated by infotainment. This paper will examine how the current commercial model of media was developed, explore journalists' early experiences with the new crowdfunding models, discuss crowdfunding through the paradigm of labour theory, and finally address the advantages and disadvantages of crowdfunding in a public sphere democracy. The first section of this paper will expand on the history of the media business models from the nineteenth and twentieth century, more specifically the transition from politics to profit within the news and the rise of advertisement. Following the history of business models, the research will provide a working definition of crowdfunding, while expanding on the different types of crowdfunding and journalists' early opinions of crowdfunding. Moving forward, the paper will criticise crowdfunding through labour theory and discuss the natural progression of this phenomenon. The last section of this research paper will explore crowdfunding's role in a public sphere democracy while expanding on the benefits and costs of crowdfunding. Overall, this paper addresses the business model journalism and news operate within while exploring new options to help promote civic engagement and education in a public sphere democracy. As Hunter emphasises, "journalism is seen as vital to [public sphere] democracy, [while] also an expensive endeavour that often requires significant funding and time commitments," (Hunter, 2015, p. 273). For these reasons, this research is fundamental to addressing this growing problem in our booming information society.

Prior to modern day information communication technologies was a time when politics controlled, to a certain degree, media at large and more specifically news. The transition from the political model used in the nineteenth century to the present day commercial model. In the beginning of the nineteenth century, politics dominated the news. Generally speaking, every political party had its own newspaper (Sotiron, 1997, p. 6). These newspapers were used to inform voters, persuade them and encourage them to vote (Sotiron, 1997, p. 8). Although many papers expressed various views,

readers typically only read their party's paper (Sotiron, 1997). Through the growing relationship between the media and politics in the 1820s and 1830s, "it was almost impossible to be an editor without being a politician also," (Sotiron, 1997, p. 107). By the mid-century this extensive political press continued to thrive; consequently, the business world started using the political newspapers for advertisement which would eventually change the objectives of newspapers. Until this point newspapers generally had a small circulation (Baldasty G. J., 1992, p. 3). As a result of advertising, this circulation began to expand primarily in large cities where culturally rich audiences flourished. By the 1890s, newspapers across North America devoted more attention to non political content, such as fashion, comedy, and performing arts (Baldasty G. J., 1992). This transition in content was largely influenced by advertising as political information no longer drew a mass audience. Political discourse regarding controversial topics began to decline as soft news expanded into the newspapers to attract the largest audiences (Sotiron, 1997). Soft news, can be define as news that is easily consumed and generally uncritical. Furthermore, the public sphere of politics shrank; consequently, the audience as a commodity was created and journalism was transformed from a public good into a private good. The continued expansion of the commercial model brought with it large social costs as audiences prioritized the consumption of soft news over hard news. "By 1917... publishers had dropped into the notion that editorial opinion was a sort of luxury, perhaps a useless luxury in the paper" (Sotiron, 1997, p. 14). This major transition from a political model to a commercial model was complete by the 1920s as publishers took complete control of the press. In Canada, Wilson and Harry Southam focused more on entertainment as citizens steered their attention away from politics (Sotiron, 1997, p. 123). The major transition marked a new definitions of news that deemphasized politics and valued a more entrepreneurial vision of the newspaper. "The measure of success in journalism was no longer political wisdom and advocacy but the ability to entertain, the acquisition of large circulation and the generation of large revenues (Baldasty G. , 1992, p. 46)." . From this point onward, advertisers rapidly gained more

control over the newspapers. A pivotal moment in this power shift happened with the introduction of the penny press. The penny press meant the price of the newspaper was astronomically subsidized by advertisers who wanted to reach an even larger audience, making the cost of the paper less than its production cost. Among other consequences of this rapid expansion, space within the newspapers were for sale. Citizens were no longer receiving news they needed, but rather the entertainment they wanted. As competition for advertising dollars rose, newspapers joined the rest of the free market; consequently, the concentration of newspapers began to increase to cut operating costs and monopolise the newspaper markets (Baldasty G. J., 1992). In turning the news into a commodity, newspapers were forced to expand out of saturated city markets into local communities. In summary, this commercial model that is heavily reliant on advertising dollar is severely flawed, and spends minimal resources on quality journalism. Unfortunately, the situation has only gotten worse in recent decades with the expansion of the internet which now attract more advertising dollars than other platforms. However, there is still hope for journalism to reign again. As the expansion of news on the internet has created great barriers for newspapers, it has simultaneously provided overwhelming opportunities for other business models to be explored such as crowdfunding.

In order to discuss crowdfunding in regards to business models, this concept of crowdsourcing must first be explored. Crowdsourcing is a method of resource extraction from a large crowd in small increments. Crowdfunding is the process in which collective intelligence or funds are extracted from a person or group of people online (Aitamurto, 2011, p. 429). “There are three basic crowdfunding models: (i) The donation model when contributors offer a contribution – often in exchange for a small reward—with no expectation of repayment, financial gain or ownership; (ii) the Lending Model where contributors expect a repayment of their contribution in some form; and (iii) the Investment model where contributors purchase securities be they equity or other” (Nordicity, 2012, p. 31). Among these models, the donation model is the most common used in journalism (Hunter, 2016). However, as this

model is common an as alternative financing solution to the legacy model, it should be clearly stated that as an alternative it's unable to replace the legacy model (Bennett, Chin, & Jones, 2015, p. 203). Furthermore, stakeholders suggest that the crowdfunding model has a place in a larger funding ecosystem (Nordicity, 2012, p. 20). Beyond the donation model which is mainly used for individual journalistic stories, the lending and investment model are more commonly seen in other journalism related crowdfunding projects, such as the fundraising for a new publication or continuous beat coverage (Bennett, Chin, & Jones, 2015, p. 195). For these crowdfunding projects, the capital raised enables the publication to launch and operate for several months, allowing the news media industry to test certain niche markets and operating models. Taking a step back, "crowdfunding in journalism can also been seen as apart of a larger movement to involve the audience in news production" (Hunter, 2015, p. 219). In fact, this engagement of the audience has begun to shape how journalists experience this new alternative model. As Aitamurto's research suggests, journalists are happy with the model because it allows them to experiment with novel story telling and new media tools that were not prominent in traditional media (Aitamurto, 2011, p. 438). In one interview conducted during the study, a reporter stated the feeling of audience donations as "personally motivating, beyond professionally motivating", while another reporter explained the experience as, "a big vote of confidence for the story" (Aitamurto, 2011, p. 434). In contrast, other reporters didn't feel as enthused by the new model. A large portion of journalists in the study felt it difficult to operate at arm's length of funders, especially if the journalists' networks were relatively small; consequently, causing large portions of funding to come from their inner circles. (Hunter, 2015, p. 283). Furthermore, most journalists felt exhausted by the process of crowdfunding and slightly disgruntled. As one reporter put it, "I'm a journalist, not a salesperson. I can't make myself go out and promote my pitch" (Aitamurto, 2011, p. 436). Meanwhile, other reporters felt that the new skills required to sell the stories quite difficult to get used to (Hunter, 2016, p. 225). The mixed emotions towards the crowdfunding model plays hand in hand with the varied

benefits and costs of crowdfunding. In summary, the diversity in crowdfunding models used for different projects has proven to compliment the commercial model. To conclude, the journalist in the research study said, “they do not make a lot of money from crowdfunding and do not see it as a sustainable long-term way to raise funding” (Hunter, 2016, p. 231).

Moving forward, this section will explore the victories and downfalls of the crowdfunding model in democracy. For starters, there are three main types of democracy on the democracy continuum; market liberalism, public sphere liberalism, and radical egalitarian democracy. Generally speaking, market liberals emphasise the individual liberties similar to the bourgeoisie, while the public sphere liberals concentrate on a lively public sphere and an informed public; lastly, the radicals distinguish themselves by focusing on equal rights and the full development of everyone’s capabilities. (Hackett, 2013, p. 19). This paper will concern itself with the public sphere definition of democracy. In this definition, “press freedom needs to be supplemented by a more expansive notion of communication rights,” (Hackett, 2013); furthermore, as stated in the Kent Commission, “freedom of the press is not a property right of owners. It is a right of the people. It is a part of their right to inform themselves,” (Sotiron, 1997, p. 3). From this perspective, the crowdfunding model can be criticised more accurately. Although the advantages and disadvantages of this model are numerous the research found the following advantages most common: the increase in autonomy, the diversity/choice in paradigms, the increase in creativity, the depth and breadth of coverage, the transparency of journalists and the capitalisation of niche markets. (Bennett, Chin, & Jones, 2015) (Hunter, 2015) (Hunter, 2016). Moreover, the research discovered the following disadvantages to be most commonly discussed: the lack of sustainability, the attainment of new skills, the lack of large audiences, the potential of a popularity contest, the sense of responsibility towards funders, the resources required for crowdfunding campaigns, and the extraction of unpaid labor. (Bennett, Chin, & Jones, 2015) (Hunter, 2016) (Hunter, 2015) (Aitamurto, 2011). Overall, the crowdfunding model is beneficial to a public sphere liberal

democracy for one main reason, it allows many stories that would otherwise go unwritten be published for the public in diverse paradigms; as a result, the public can inform themselves and participate in their democracy. Through crowdfunding this democracy could obtain a large portion of its hard news. Furthermore, the model would easily allow other crowdsourcing processes to flourish. The ecosystem of crowdsourcing news from this democratic perspective would allow our information driven society to reprioritize journalism as it once was, a vital organ of democracy (Hunter, 2015, p. 273). In conclusion, crowdfunding's has benefits and costs like all other media business models, as Hackett suggests, "there's no perfect one size fits all democratic news organization," (Hackett, 2013, p. 21).

One of the biggest criticisms found in crowdsourcing practices, such as crowdfunding, is its ability to exploit labor. Although the exploitation of labor or talent crowdsourcing platform are currently found in the present commercial model, such as in ScoopShot where citizens submit photos taken from their smartphones to an online platform; crowdfunding is a form of crowdsourcing that is subject to as much exploitation. Unlike the crowdsourcing of labor found in participatory journalism, labor is not demanded in crowdfunding. However, commercial media is still exploiting free labour to a degree. "If freelancers are turning to crowdfunding, and all the labour this entails, in order to make freelancing financially viable, news organizations that use this form of journalism are profiting from unpaid labour." (Hunter, 2016, p. 230). Furthermore, as cost cutting has become routinized by commercial media outlets this hyper competition in freelance journalism is making it nearly impossible to earn a living (Cohen, 2015, p. 113). Another way this exploitation is occurring is through the rewards given to the funders. In the donation model, the simple rewards given to funders are typically inequivalent to the pledge's value (Bennett, Chin, & Jones, 2015, p. 17). Furthermore, the audience is seen actively funding the product which they will later consume. These audiences are being called 'prosumers' and commercial media outlets are capitalising greatly from them by not participating in any of the risk associated with production. As explain in the research, "there are differences between paying now by backing an artist

through Kickstarter and paying later in the more formal setting of a theatre,” (Bennett, Chin, & Jones, 2015, p. 39). Overall, there’s a vicious loop wherein the capitalist economy treats news as a commodity versus a public good. This clear distinction makes democracy hard to engage with due to the hyper exploitation of audiences, voters and citizens. In conclusion, the crowdfunding model is subject to criticism through the paradigm of Marx’s labour theory, but is still a possible alternative.

In summary, it’s apparent that news and journalism’s role has been transformed significantly throughout the past two centuries as control of media outlets shifted from political interests to private interests. Given the dark situation the industry finds itself in today, it is to no one’s surprise that change must be made in order to establish more informed citizens in a democratic state. Through applying the diversity of potential crowdfunding solutions and in expanding the early research, journalism can have an opportunity to thrive again. Some journalists may have to make sacrifices in the transition while gaining new tools and skills; however, in the long term a democratic society needs news and journalism to function properly. Suggestions for further research included the discourse of a mixed crowd and crown funded media ecosystem where quality journalism can thrive while society re-educates and repairs the generally ill-engaged public with news.

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