

REVIVING STATEHOUSE REPORTING: A STARTUP PLAN FOR AN OHIO
NEWS NONPROFIT FOCUSED ON GOVERNMENT ACCOUNTABILITY
JOURNALISM AND AUDIENCE ENGAGEMENT.

A Professional Project

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Introduction

In early June 2015, I woke up in Seattle, Wash. to a text message with news I never expected to receive. *The Columbus Dispatch* had been sold. After more than a century of family ownership, the *Dispatch* was transferred to Gatehouse Media, a national conglomerate with a mixed track record of newspaper ownership. The leading newsroom in my home state, where I cut my teeth for seven months in 2014, was going to change dramatically. Over the next few months, numerous reporters, editors and other staff would be cut or would leave, including the newsroom's leader of 15 years. But even before the exodus, this sale crystallized a realization I should have come to long before 2015: newspapers are dying. This is my opinion. And it can be argued. But I have come to believe it. By "dying," I do not mean they will entirely go extinct. But I believe we can no longer count on them to produce the journalism our country desperately needs. Further, we cannot count on them to tell important stories in ways that most resonate with today's audiences.

The sale of the *Dispatch* was the catalyst for this project. Approaching my senior year of college, I wanted to explore a way Ohio could benefit from a new and growing sector in American journalism: digital nonprofit news. Over the next nine months, my perceptions about journalism and nonprofits changed. The idea formed quickly: could I bring The Texas Tribune or MinnPost model to Ohio? Those concepts focus on creating journalism — articles, videos, interactives, events, and photos — that engages audiences in the state's political process and policy issues. Those models are approaching financial sustainability, drawing revenue from events, sponsors, foundations and small-dollar

donors. Many believe Ohio needs public affairs journalism that watches, explains and elucidates government. And this nonprofit model offers that journalism. But would Ohioans be engaged by that reporting, and could a slice of them be convinced to pay for it?

With the aim of answering those questions, this project, oriented in the structure of an Honors Tutorial College Journalism professional project with a required scholarly portion, has several components. The scholarly component — a literature review of academic and industry reports about recent advances in nonprofit journalism — offered substantial findings from academic research and other organizations to inform the professional project. My personal reflections on the project and academic literature are discussed in the Personal Reflective Essay. The professional project comes in several parts. The “Deliverables for Client” include four documents: the Pitch, Executive Summary, Business Model Canvas and Audience Summary. These are succinct documents that summarize the idea and research. The Audience Research component takes a detailed look at quantitative data about news nonprofit readers and the potential audience for a startup in Ohio. These market research-heavy documents serve the Business Plan, which in turn is summarized in the Business Model Canvas, Executive Summary and Pitch. Those final three documents are small compared to the overall size and scope of the project. But potential investors require a succinct, clear presentation of facts to determine whether to contribute financially.

It should be understood that this project assumes Ohio needs this journalism. It also argues, through market research, that some Ohioans want this journalism. The first point can be argued, but it is undoubtedly the foundation of this project. Journalism is

supposed to be objective and non-partisan. The same would be true of journalism produced by this news nonprofit. But increasingly, I believe journalists must advocate for *why* their work is necessary, explain *what* their product is and detail *how* their work can be sustained. That is the goal of this project: fill a void in Ohio journalism with a business model that can succeed.

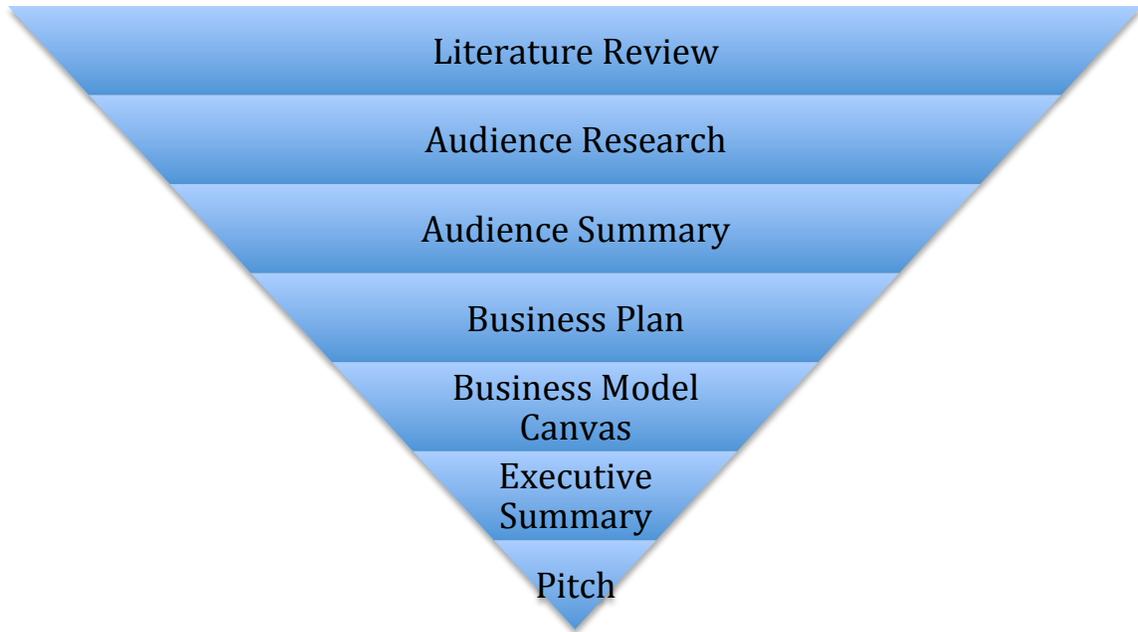
This project is not about me, so other than this opening, it is not written in first-person. But I do invite anyone with an interest in this project, nonprofit news or Ohio journalism to email me at willdrabold@gmail.com with any questions, comments or ideas. The goal is to make a news nonprofit in Ohio a reality. Ultimately, this substantial document is only a snapshot in that project. Now that the words are on paper, the hard work begins: finding funders, advisors and journalists, then developing an audience that will pay for public affairs journalism.

Project Guide

This is not a typical journalism professional project. It is not split into a professional project and a scholarly wraparound. Instead, the research and academic components have informed the business plan and the professional project. The professional project deliverables are substantially smaller in length and scope than the academic component, but that is because the business components are a succinct, project-specific summary of successes experienced by several existing news nonprofits.

It is important to understand how this project's multiple parts are structured. The pyramid figure below shows this. The literature review is the foundation: it describes the media landscape and details experiences of existing news nonprofits. Both the literature review and the Audience Research cite academic and industry research. The Audience Research component also cites interviews with industry leaders. (Those interviews were not academic and are not included in the literature review). The Audience Summary sums up Audience Research, especially information on how many audience members could be monetized within two years of launch. This research heavily informs the Business Plan. This Business Plan includes information about potential funders and business information from other news nonprofits. This incorporates more detail than a traditional startup plan. The Executive Summary is a succinct breakdown of all the preceding research and planning. It includes a supporting Business Model Canvas, a one-page breakdown of key business information common in the startup world. Together, this summary and canvas form the documents that would be presented to investors during the Pitch — the final component of this project. In this form, the Pitch is a brief summation of this project's

goals and ideas. It is the smallest, most concise version of this idea. The Pitch information here is the document version of a slideshow used to pitch potential investors.



This pyramid shows how the research components are larger than, but heavily informed, the final deliverables. Each component builds on the one before it.

Together, these documents build upon each other. While components are much shorter than others, length is not necessarily the best measure of quality. While the Literature Review is large compared to the Pitch, the latter is heavily informed by industry and academic research conducted over several months. If the Pitch is not succinct and compelling, it will not convince investors to support the project. Audience research was critical to the success of this project but must be boiled down to an easily digestible size. Ultimately, this holistic approach yielded a startup plan that news nonprofit leaders said was far more detailed than many of their startup documents.

**Reviving statehouse reporting: A startup plan for an Ohio
news nonprofit focused on government accountability
journalism and audience engagement.**

Personal Reflective Essay

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I feel like I stumbled into a great idea no one knows they want. I'm not sure if that's good or bad. Let me explain. Ten months ago, I changed my senior thesis topic. Instead of doing more journalism, I wanted to find a way to save it. That goal turned into an obsession that yielded this professional project, a document that has taken hundreds of hours to produce. I analyzed study after study from academics and the industry, searching for anything to point toward how to launch a successful news nonprofit. I talked to a number of nonprofit news leaders and analysts across the country, eager to hear what advice they had for a young journalism entrepreneur. Since the project's beginning, I have been told this nonprofit is a great idea. Many people think it should happen. Others have told me they believe it is necessary. But after I emerged from writing dozens of pages about my findings and plan, I found the real work was only just beginning. Having a plan is necessary, and putting together a good plan is difficult. But executing on the plan brings a whole new set of challenges. This essay is a reflection on the work I have done and the far more difficult work that lies ahead. It is a snapshot of my brain as I continue to live the very real world of trying to start a company that will better inform and engage Ohioans on issues about their state.

Before we look to the future, I should explain my passion for this project. It began two years ago. When *The Columbus Dispatch* was sold in the summer of 2015, a realization came over me: newspapers are dying. I already feared that reality, but the sale of a newspaper I believed would fight until the bitter end accelerated my frustration with the industry. The *Dispatch* was family-owned for more than a century. The publisher, John F. Wolfe, is an aging but wealthy, prominent Ohioan. I was the only intern to ever schedule a meeting with him. During our brief conversation, he told me he was

committed to public affairs journalism and believed his newspaper played a critical role in the Ohio community. At the time, in mid-2014, I knew the future was not rosy for the *Dispatch*. But Wolfe's wealth and fire for journalism lulled me into a false sense of comfort about the future. Here was a benevolent, decent, wealthy man who took the time to encourage a 20-year-old reporter to tell great stories. Even if the *Dispatch* was losing money, I thought, Wolfe would never cut ties to his family's legacy. His apparent commitment to journalism that served the public indicated, to me, the *Dispatch* would pursue difficult and important stories long into the future.

Unfortunately, what has happened in Columbus is not unique. Across the country, newspaper readership has declined in all age groups (Pew Research Center, 2014c). Nationwide, there are 39 percent fewer journalists in American newsrooms than there were a decade ago (ASNE, 2015).

In *Normative Theories of the Media*, the authors argue journalism serves four roles in our democracy: Monitorial, Facilitative, Radical and Collaborative (Christians, 2009). All four of these roles — including watching the powerful, empowering the public with information, advocating for change and more — are threatened by the decline of newspapers, Christians et al. (2009) argue. An example of this threat can be seen in Ohio, where many newspapers have no journalists in Columbus dedicated to state government coverage (OLCA, 2016). My belief in journalistic tenets of truth telling and public service drove me to explore this decline and seek solutions to this threat.

Almost immediately, the *Dispatch*'s sale changed my worldview. It forced me to reconsider my future after graduation from Ohio University. I was no longer confident I could land a job where I could do what I want and be paid enough to survive. The sale

rudely shook me awake, both literally (I woke up in Seattle to a text announcing the *Dispatch*'s future) and figuratively. My belief that newspapers could be about more than money was shattered. I was angry and saddened by an event that compounded my other frustrations with journalism. I was tired of older newspaper journalists telling stories of the good old ways. I despised the polarization of American news organizations. I increasingly viewed the actions of corporations and politicians as shameful, quietly creating and manipulating policy while the public was kept in the dark. Far from optimistic about almost anything, I was cynical and pissed. The *Dispatch* sale put me at a crossroads. I could either become more jaded about my future in a challenged industry. Or I could forge my own path.

I am not the only one who has felt this way. Across the country, new journalistic ventures have launched to make up for reporting cuts from newspapers and other media (Konieczna & Robinson, 2013). These organizations — typically nonprofit — state their goal of filling a void in their mission statement, Konieczna and Robinson's (2013) research show, publicly stating their need.

As my search for alternatives to the newspaper model widened, I came across recent industry research that would become foundational for my project. In 2013, Pew published a study detailing the growth and impact of nonprofit newsrooms (Mitchell, 2013). The Knight Foundation has published work that shows how some nonprofit newsrooms have moved toward financial sustainability, engaged audiences and produced impactful journalism (The Knight Foundation, 2015a). Importantly, these studies and others found organizations needed to focus heavily on their business model to survive — a key, instructive argument for me that I pursued throughout my research.

Two days after I heard about the *Dispatch* sale, I called a friend. He was studying abroad in Scotland and I called him at 11 p.m. Pacific Standard Time — 7 a.m. in the United Kingdom. I didn't consider the time change, or the fact he was very hung-over when he answered my FaceTime call. I *had* to call him then, because I was so excited about my idea. During my 40-minute walk to-and-from my *Seattle Times* internship during the summer of 2015, I thought. And I called people. In the four walks through Seattle's lush green neighborhoods between the *Dispatch* news and that phone call, I did a lot of thinking and even more calling. Fairly quickly, an idea formed in my mind: Change my senior thesis project to create a plan to sustain public affairs reporting in Ohio. Discarding the fact I was a year from graduation and recently turned 21-years-old, I decided I was going to explore the future of journalism for at least two semesters.

I quickly adopted a saying, "I believe I have a better chance of creating a job for myself than finding one after graduation." I still don't know how correct that is, but it has served as continual motivator. The idea remains as simple as it was from the start -- Launch a newsroom to produce journalism in areas that are under-reported. Few journalists at legacy media outlets in Ohio still produce stories with statewide relevance about healthcare, education, environment and lobbying, to name a few areas. Energy drives Texas. Chicago drives Illinois. *The Seattle Times* defines Washington State journalism. But in Ohio, no economic agenda, political issue or news outlet links the state. What appears to be a state news market saturated with newspapers, TV stations and websites lacks cohesion at the state level. In short, I saw an opening.

I moved quickly. Within a few days, I had changed my thesis topic and was brainstorming how to create a business plan for this news nonprofit. I contacted Ben

Marrison, a mentor and the editor of the *Dispatch* for 15 years, who had recently announced he would step down from leading Columbus' newspaper. I exuded confidence in this idea and assumed he would jump at the opportunity to make this happen. How could a man who spent decades in Ohio journalism, I thought, not want to forge the new path forward in that area? I assumed my idea would resonate with him. This is where I first went wrong. I have nothing but the utmost respect for Ben and his work. He avidly supported my work when I interned at the *Dispatch*. But I first contacted him in the summer and for months, waited for him to move on the idea. Ultimately, he believed there was not support in Central Ohio for the project. I've learned through this project to respectfully disagree with that assessment. Waiting for Ben created a host of other issues. I could have been talking to other Ohio journalists about the projects, experienced reporters who may have expressed more support than Ben. I could have started to gather support for the project without an experienced professional onboard. In retrospect, the positive feedback I was already receiving at Ohio University and elsewhere suggested I should have had enough confidence in the idea to pitch it alone. Waiting did not kill the project, but it did teach me a valuable lesson about not relying on others.

In September, I started writing the literature review. This was a valuable and interesting exercise. I devoured academic and industry research on news nonprofits wherever I could find it. I contacted news nonprofit leaders around the country, seeking current and real-world input on my ideas. I quickly found two things: there are many people across America who shared my passion for the nonprofit news model, and there are few blueprints for success. While some academics have studied the recent boom of nonprofit news outlets in the US, most studies have been small and did not draw

substantial conclusions about the sector. I cited international studies and findings focused on newspapers to round out my research. Industry reports were useful but given their nature of measuring rapidly changing metrics like digital audience and revenue streams, the research became more irrelevant with each passing month. In the course of my research, I was heartened to see others highlight the need for news nonprofits to diversify revenue streams. The sector needs to move away from large individual and foundation funding to reach financial sustainability. But that is easier said than done. So far, only a few outlets — The Texas Tribune, MinnPost, and Voice of San Diego — have been able to develop substantial membership, sponsorship and event revenue streams.

For me, this need to diversify revenue was obvious from early in my research. And it led me to further research and creation of a business plan centered on identifying and understanding a potential audience. I believe this is a strong asset to my project. Many news nonprofits start with little-to-no market research, according to a conversation I had with a staff member of the Institute for Nonprofit News. Their knowledge of the potential reader is minimal. I wanted to ensure my project had this component. I gained access to data about Ohio's markets and built the profile of a potential audience member. From there, I built a plan to monetize a small percentage of that audience by the end of the first two years. All of this was informed by the experiences of other news nonprofits. Going forward, this research was valuable in pitches and in writing my business plan. If I had known substantial energy would have been devoted to audience research, I may have changed my plan from the start. To this point, I have gathered quantitative data about the potential audience from secondary sources. If I had time, I would have liked to gather qualitative data from real Ohioans using an online survey. In fact, I could have done a

thesis project focused on gathering data to define a potential audience member in Ohio. I may still move forward with the survey in some capacity, but the deadlines and resources of Ohio University would have been helpful in moving it forward.

As my plan came together, I began pitching it in the real world. I visited Ohio University's Voinovich School for Leadership and Public Affairs and interested parties in Columbus. Their feedback was invaluable. Voinovich's business faculty critiqued my pitch substantively yet politely. They felt my initial presentation needed more clarification on elements of the business model and staffing. But overall, they said the project made sense and had a path to financial sustainability. The same week, I did another pitch to two substantial central Ohioans: David Wilhelm and Evan Blumer. Wilhelm is best known for running Bill Clinton's 1992 presidential campaign and becoming chair of the Democratic National Committee. Blumer is his business partner. Together, they have substantial experience in the venture capital and startup business communities. I pitched them. They tore me apart — largely because I approached the pitch incorrectly and did not provide enough supporting information. Overall, they liked the idea and saw value in it. But they did not feel my presentation was compelling, they questioned my youth and failed to understand the need. Their critique stung but it was incredibly valuable. It offered a taste of what I would face in the real world and substantially helped me improve my presentation. I hope to pitch them again soon.

The Honors Tutorial College senior thesis model was extremely valuable to me. It allowed to spend substantial time putting together a plan to launch a news nonprofit. It empowered me gather and synthesize relevant information. Instead of developing this

plan while working, I was able to create a viable business plan and pitch during my senior year of college.

With all that said, the truly difficult phase of the project comes next. Developing a plan is one thing. Convincing people to put money behind it is another. For the past few weeks, I have contacted various people who have already provided advice or may be interested in the project. I will be working to bring them on board in advisory or full-time capacities. I learned early that having a core group of dedicated advisors is almost as important to success as the actual journalists. I have plans to launch a prototype Web presence for the nonprofit and begin assembling a team. It is hard to predict how this stage will turn out. But I know my project has laid a foundation for success.

As I state in the literature review, it is frustrating how little recent research I found about news nonprofits. I relied heavily on industry reports and conversations with industry leaders to develop my plan and relied mainly on academic literature only in the ethical portion of that review. To that point, it is worth noting how academic literature helped me consider the ethical challenges of accepting large sums of money for journalism. I believe the literature demonstrates this can be done ethically. I started by trying to understand how traditional newsrooms have dealt with ethical challenges from business and advertising. Pressure from advertisers to change journalistic content has typically been dealt with by a firewall between a newspaper's business and editorial operations (Soley & Craig, 1992). But I quickly realized that is not a practical structure for a nonprofit newsroom. In comparing various ownership models for media organizations, some authors have argued there is no perfect model but that nonprofits may face increased pressure if they are fueled by a small number of donors (Picard &

Weezel, 2008). For nonprofit newsrooms, the solution thus far has been to push nonprofits to publish their lists of donors and institute policies that allow donors no editorial control (Institute for Nonprofit News, 2016).

As a whole, I felt this was a step in the right direction for the media industry. It has never been clear who the largest advertisers are at a newspaper or television station. Under this model, complete transparency aims to prevent any perception of bias. The Knight Foundation, for example, will not give money to newsrooms that are not transparent about their funders (The Knight Foundation, 2016). But reality dictates that this model will not be perfect. At a nonprofit newsroom in Minnesota, an academic study found the newsroom appeared to slant creation of a beat toward what a supportive foundation wanted (Konieczna, 2014). While the decision was not necessarily ill motivated, it was another reminder of the necessity of a clear code of ethics and standard for donations.

Likely the most substantial challenge will be convincing Ohio foundations and wealthy individuals this project is worthwhile. Then I have to convince them it's financially viable. Ohio has the country's seventh largest population and seventh highest level of nonprofit revenue. (United States Census Bureau, Ohio, n.d.; ProPublica, Nonprofit Explorer, n.d.) On their own, those two statistics suggest Ohio is ripe for this project. On top of those, consider Ohio's political importance, the number of major companies, large public and nonprofit sector employment, volatile policy debates, geographically- and issue-diverse electorate and a lack of statewide news coverage. Then, add in the large audience of civically engaged Ohioans who are candidates to connect with this nonprofit's journalism. Together, these factors point to Ohio as a prime

candidate for a news nonprofit focused on meaningful state-relevant journalism positioned between local and national buzz. But because this state's philanthropic community is not familiar with this model, I cannot underestimate how I must pitch them. Above all, I have to sell the idea and the need, then the plan for financial sustainability. At first, I took the need for this journalism for granted and ended up with a plan that too quickly brushed over the product. The pitching and revision process taught me the value of offering specific examples and targets for journalism to move the need on issues of state importance.

Writing down my feelings about the process has been helpful. It has helped me reflect on where I've been and formulated a better plan to reach where I want to go. But before I end this reflection, I would be remiss to not mention those that helped me to this point. First, Dr. Hans Meyer was an invaluable asset to this project. He brainstormed with me and critiqued my ideas, introducing me to both academic and industry resources to better inform my project. He was supportive of this project at all levels and helped me explore avenues to implementing this project through Ohio University. In sum, Dr. Meyer was an excellent thesis advisor. I am also grateful to Cary Frith, Andy Alexander and Bob Benz, three individuals who consistently encouraged me to keep trying and looking for solutions. As Alexander told me at one point, success is often found by consistently "stirring the pot." To Alexander's point, by the end of this project, I was looking for at least one thing a day I could do to inch the project toward completion. Dr. Bernhard Debatin was also an asset to this project. He helped me walk the line between business document and academic project. Those conflicting goals could have caused me many headaches, but he supported my revisions to achieve a balance.

I am also grateful to Dr. Tom Suddes. Dr. Suddes was not heavily involved in this project. I made him aware of what I was working on and sought his advice. But ultimately, I believe he was worried about how this project might affect statehouse reporting in Ohio. At every turn, I only sought a plan that would strengthen reporting at the state level and improve the effectiveness of Dr. Suddes' Statehouse News Bureau program. Ultimately, I mention Dr. Suddes here because he first ignited a passion that yielded my search for a new model to improve coverage of Ohio government, politics and policy. I was a Statehouse News Bureau Fellow at *The Columbus Dispatch* from January to April 2014. Dr. Suddes created and still runs that program, placing college students in the Ohio Statehouse. A chief reason he created the program was to combat cuts to the number of journalists covering state government. I appreciated that mission from day one and ran with it, developing this plan two years later. While I know everyone in Ohio legacy media will not look kindly on this startup, I want all of them to know — including Dr. Suddes — that I value their mission. While our work should be informed by successes of the past, I believe we need innovative journalism solutions positioned to overcome the challenges of the future.

Thank you to everyone that has supported this project to this point. I trust you will find this document informative. And I hope it is eventually considered the founding document of an organization that changed journalism in Ohio.

**Reviving statehouse reporting: A startup plan for an Ohio
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Literature Review

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Introduction

In the past five years, nonprofit journalism has grown to become a major player in producing investigative, accountability journalism about state governments. The sector has grown rapidly and some models have neared sustainability (The Knight Foundation, 2015a). But there is very little research on these nonprofits, what they report on, how they report and how to replicate their models. These facts are drawn from a substantial review of scholarly and professional research, industry research, professional reports and interviews with nonprofit news leaders. Many of these outlets have demonstrated resiliency in the face of massive industry pressure. As their legacy media peers face a continually eroding business model, nonprofits have produced public-interest journalism. Simultaneously, many of these outlets have turned their focus to sustainability. Their reporting has resonated with audiences nationwide, furthered through edgy content distribution and partnerships with legacy organizations.

Undoubtedly, these outlets face challenges. They cite a lack of business, marketing and financial acumen as the greatest challenge to their long-term success (Mitchell, 2013). This reflects a common characteristic of these startups, primarily editorial-first ventures that must contend with business pressures (The Knight Foundation, 2015a). Most are still heavily foundation funded. This is a barrier to creating a sustainable model. Ultimately, outlets must aim to diversify their revenues and garner the interest (and financial support) of their audience. Legacy media challenges still haunt nonprofits. The industry knows audiences are fragmented, are largely unwilling to pay for online journalism and difficult to engage. But the nature of news nonprofits positions them for success in a fast-paced news environment that rapidly changes. This “nature,”

research shows, includes their lean sensibilities, nonprofit status, small beginnings, low overheads, ethical standards, startup culture and commitment to devoting resources to reporting that reveals facts of deep importance to audiences. This appendix will explore these areas in the sections that follow. The order is detailed in the Table of Contents on the second page of this literature review.

Why is this startup needed and why is this idea a solution?

Before any other discussion of this model, it is important to understand the need for news nonprofits. This starts with a well-known fact: Newspaper newsrooms are in decline. There are 39 percent fewer reporters working at daily newspapers than a decade ago (ASNE, 2015). Coverage of state government is also in decline. A Pew report detailed this in 2014, showing a national drop in statehouse reporting (Pew Research Center, 2014a). At first glance, the report makes Ohio's situation appear rosier than the rest of the country. The Pew report claims Ohio has 62 reporters and students who, at some level, cover the statehouse. It also claims 32 of them are full-time. But a closer look reveals issues with this analysis. Today, there are 26 reporters from the state's mainstream media (newspapers, radio, television) consistently covering state government, one for every 440,000 Ohioans, according to information from the Ohio Legislative Correspondents Association (OLCA, 2015). Gongwer News Service and Hannah News Service have another 14 reporters, but they mostly do niche, government-insider reporting and do not have access to the same audience as the mainstream organizations. Unlike other states where startups have launched to fill that void, there are

no reporters from “new media” startups or nonprofits in Columbus, according to OLCA registrations. Overall, Ohio does have more reporters covering its state government than other states of similar size, but current coverage of Ohio state government is inadequate.

The decline of statehouse coverage begs a key question: why invest in this reporting if legacy media have cut bureaus and focused on content that is (theoretically) more relevant to their audience? The answer is complex. First, consider the moral argument for a startup in Ohio’s capital. The Society of Professional Journalists (SPJ) Code of Ethics opens with this statement: “Public enlightenment is the forerunner of justice and the foundation of democracy” (SPJ, n.d.). This code, and others like it, describe ways journalists need to report, write and edit to ensure they best fill their role of enlightening the public (Kovach & Rosenstiel, 2001).

A recent case study showed civic engagement declined in both Seattle and Denver after daily newspapers — *The Seattle Post-Intelligencer* and *The Rocky Mountain News* — shuttered in both cities in 2008 (Shaker, 2014). The same decline was not seen in other American cities that did not lose a newspaper. An analysis of nearly 150 years of voter turnout, news and electoral results found newspapers positively affect political participation and historically, their existence increased voter turnout (Gentzkow et al, 2011). These studies, which are only a sampling of recent research in a field with many other examples, shows information produced by a robust news organization increases an audience’s civic engagement and participation in the political process. There are far fewer news organizations producing that reporting than there once were (Editor and Publisher, 2014). While far from new statements, these facts are worth recalling in the context of digital, nonprofit news startups.

This research shows a loss of journalism decreases civic engagement and voter turnout. By increasing journalism focused on civic and political issues, we can build social capital in a community — a key academic argument for this nonprofit. Putnam defined social capital as connections among individuals that ultimately yield improvement to or increase in an action (Putnam, 2000). Studies have shown news consumption increases social capital and that in turn, journalism can foster engagement in a democratic society (Brehm & Rahn, 1997; Rosen & Merritt, 1994). News increases social capital through *bridging* between groups, increasing social capital across a large community. This research suggests a direct link between news production and increases in social capital. In turn, that increases the positive effects social capital can have, like voting (Beaudoin, 2011). This also suggests that as news production declines, so does social capital — a deeply negative fact for American democracy. This startup would stem declines in social capital among audiences in Ohio who follow state government and the billions of dollars politicians in Columbus allocate that affect their lives. In fact, it would build social capital in new places and with new audiences.

Following the argument that *citizens need this kind of journalism*, a tougher question arises: is there an audience that wants this news? The Ohio-specific answer to this question will be addressed in detail in phase two of this project. But at the macro level, the answer is yes — there is a demand for this coverage, though it has grown from relatively new models. Newsrooms place less value on journalism from a bureau in a distant city (Pew Research Center, 2014a). But audiences have demonstrated a demand for news of relevance to a state through nonprofit models.

In general, print newspaper readership is declining (Pew Research Center, 2014b). It has been for decades. Although digital readership and advertising revenues have grown, the total has resulted in nowhere near enough revenue to replace print losses. This is the crux of the problem: digital gains are not replacing print losses, so how does the industry move forward? Coupled with the fact there is declining consistent interest in newspaper coverage, there is undoubtedly room to develop media entities that target specific target audiences. A 2011 Pew report, entitled “The Role of Newspapers,” found audiences did not say their local newspaper is a key source of information for them — 69 percent of Americans said the death of their local newspaper would have little to no impact on their lives (Rosenstiel, 2011). This study is also five years removed from today, where media has furthered fragmented, newspapers have experienced further cuts, newsrooms generate less content, audiences find more content through social media — not through newspaper-branded homepages — and find news through mobile devices that minimizes connection to the outlet producing the content being consumed. Given these realities, 69 percent may now be a low number.

But in a finding that highlights how complex media consumption has become, the 2011 report found local newspapers were the top source for 11 of 16 local news categories, including coverage of crime, local politics, community events, taxes and schools (Rosenstiel, 2011). Another Pew report found 72 percent of Americans follow local news closely and among those who do, newspapers were their top source of information (Miller, 2012). Newspapers are also routinely seen as the top source for enterprising and in-depth coverage, given the resources they devote to reporting that other outlets do not. The challenge for newspapers is relatively small percentages of

people seek news on a broad range of subjects (Rosenstiel, 2011). Instead, they typically follow specific news in narrow ways, making it increasingly difficult to justify a large, general-interest newspaper. Audiences undoubtedly have an interest in news that affects them. The key is to provide coverage of niche topics at a publication that does not aim to accomplish too much, as the “general interest” newspaper does. An outlet that demonstrates focused reporting abilities on a narrow set of topics could become highly relevant to a specific audience.

Public media perception has become more negative over many years. Citizens increasingly view media outlets as biased and do not trust journalists. But within those trends is a silver lining for a nonprofit focused on public accountability reporting: a large swath of Americans believe news organizations hold political leaders accountable (Pew Research Center, 2013). As much as at any point in the last three decades, despite massive cuts to reporting staffs, the public views the media as a watchdog (Pew Research Center, 2013; ASNE, 2015). This demonstrates a public demand for and appreciation of accountability journalism. It further suggests Americans not only need watchdog government reporting, they want it, even as more than two-thirds of Americans believe news is often inaccurate and biased (Pew Research Center, 2013). There is a population of citizens who are unhappy with legacy journalism outlets and are seeking reporting that holds public officials accountable.

Many of these nonprofits have established presences in state capitals. By reporting on the ground from state capitals, these nonprofits see their operations filling a void left by newspapers and other legacy media outlets that cut statehouse reporters. In turn, they are betting that original, watchdog content about state government will pay off

by attracting an audience. The 2014 Pew census on statehouse reporters shows a steep decline in newspaper reporters (35 percent from 2003 - 2014) covering state governments (Pew Research Center, 2014a). Pew found two-thirds of American newspapers do not have a statehouse reporter and a key reason for the cuts was the belief newspapers should more heavily invest in covering local issues before placing someone in a bureau. “You can lay off your statehouse reporter or you can lay off somebody covering your town that is nearer and dearer to people’s hearts,” Susan Moeller, news editor of *The Cape Cod Times*, told Pew in the 2014 report. “You will lay off the statehouse reporter because you can get that from another source” (Pew Research Center, 2014a: p. 15).

Academic research has consistently found audiences identify most with news outlets they consider credible, specifically where an audience perceives an outlet as accurate and fair. One study, that treated news as a product with value “we use in everyday life,” found perceived credibility of a news outlet by the audience was a significant determinant in whether someone actually consumed news (Beaudoin & Thorson, 2002). In other words, audiences must trust a news outlet to consume its journalism. The state-government, watchdog startups have figured out how to take advantage of the need for credibility. “The fact we chose to focus in a narrow vertical on politics and public policy, state government, made it so that we could just gun the engine on those things — flood the zone,” Evan Smith, CEO and Editor-in-Chief of *The Texas Tribune*, told Future of News (The Future of News, n.d.). This is key. These startups have attracted audiences interested in state-government reporting during a decline in legacy media’s coverage of state government, a newsroom decision predicated on the mentality summed up by *The Cape Cod Times* editor: when you only have enough money for one

reporter, you keep the local reporter and cut the state government reporter (Pew Research Center, 2014a). The decline in reporting and legacy cuts to statehouse coverage is what many nonprofits cite as the reason for their creation (Konieczna & Robinson, 2013).

Their growth has come from applying a version of the community journalism model that is more traditionally discussed in relation to small, hyperlocal newspapers. They build credibility with their audiences through deep understanding of and proximity to the news they cover. The definition of community journalism as about connectedness and embeddedness is thoroughly applicable to these outlets (Lewis et al., 2014). That definition is drawn from a study that focuses on a theory of pushing participatory journalism to create the highest level of audience engagement. The authors call that method *reciprocal journalism*. The researchers (Lewis et al., 2014) suggest *reciprocal journalism* happens when journalists and audiences feel they each provide something of value through interactions facilitated by the journalist. The model largely applies to social media, where journalists consistently interact on Twitter to engage users, stimulate discussion and start a chain reaction with a journalist's content. Engaging with audiences is also linked to building social capital; Putnam cites reciprocity as a key characteristic linked to building social capital (Putnam, 2000). Combining the two principles, one can argue these startups are deeply interested in attracting and retaining audiences — a key metric for convincing donors, foundations and others of their relevance — via a version of the community journalism model that is deeply attentive to the interests of its audience.

These startups demonstrate a form of reciprocal journalism. Some have found success with strategies the authors of the reciprocal journalism article suggest. They have

even moved beyond the Internet and social media to focus on in-person events that give audiences a tangible value (MinnPost, n.d.). In return, the audience interacts with a nonprofit's content. Some even pay for it. From their inception, many of these outlets have been heavily focused on the audience growth and engagement metrics that community and participatory journalism researchers look for. This is evidenced by the year-over-year growth in audience engagement, retention and revenue many of these outlets have seen (The Knight Foundation, 2015a). As relative newcomers to their respective coverage areas, many startups have seen major increases in traffic from social media. Many of these nonprofits went social- and digital-first from the start — in 2012, Pew identified 172 digital nonprofits nationwide — which contrasts with legacy media organizations that are still substantially wedded to print production demands and cannot focus solely on engaging, digital presentation (Pew Research Center, n.d.).

To this point, the need for an Ohio startup is evident because of the social capital these organizations build within communities that are engaged by their journalism — a necessity for a functioning, productive democracy that is threatened by continued newsroom cuts. Audiences at successful startups are attracted by a skilled combination of traditional journalistic norms and an application of community journalism on a larger scale that draws from participatory and reciprocal journalism. As these outlets have begun to mature (a large percentage were launched in 2008 or later), many have seen consistent growth in readership and paying members (Pew Research Center, n.d.). These facts demonstrate a clear demand and need for public affairs reporting at the state level that appreciates where the audience is, what news they are looking for and how they

expect to receive it. These nonprofits do not have all the answers, but they are innovating to find ways to deliver their specific audience with watchdog reporting.

Need for further research

This is a reasonable point to note how little research exists on these startups and statehouse reporting in general. I failed to locate studies that could directly substantiate the most basic assumptions of bureau reporting practices: that journalists covering an audience do a better job than those working remotely, and that audiences are more likely to connect with an outlet experienced in its coverage area. While real-world evidence and other research were synthesized to justify these assumptions, the lack of academic grounding for them is troubling. There are also no broad content analyses of statehouse news articles, from nonprofits or traditional outlets, that define how state government is covered and if the content produced at these nonprofits varies from traditional media. More research is needed in these areas, any of which would undoubtedly better inform this project.

Nevertheless, there is more research available now than only a year ago. A number of these startups have existed long enough to attract the attention of Pew, the Knight Foundation and a few academics. These largely macro-level analyses have provided insight into these organizations. A year ago, available literature would have substantially hindered this research.

A future for accountability journalism?

Nationally, journalists have been seeking ways to produce accountability journalism outside the legacy model. Since 2008, dozens of nonprofit news outlets have sprung up (Pew Research Center, n.d.). Many of them — including state-focused outlets like The Texas Tribune, MinnPost and VTDigger — launched shortly after the recession began. Their launches reflected a swift acknowledgement of the growing gaps in coverage from newspapers. A number of these startups focused on state-level investigative or government reporting (Pew Research Center, n.d.). They vary in focus and scale: some employ only two reporters while others support dozens of journalists. Their budgets also vary considerably, between less than \$100,000 annually at some nonprofits up to several million dollars (Mitchell, 2013). These startups have produced award-winning, impactful journalism (IRE, 2016).

A version of this story now exists all around the country, including at universities. Stephen Berry's life has been defined by investigative journalism. For three decades, he worked as an investigative reporter, which included winning a 1993 Pulitzer for Investigative Reporting at the *Orlando Sentinel*. In a 2011 Columbia Journalism Review story, he describes the college students at the University of Iowa as the motivation for launching the Iowa Center for Public Affairs Journalism (Fekula, 2011). "We have limited internships available here in Iowa, but in my classes I would get fairly decent work that with a little more work I could make publication ready," Berry told CJR (cited in Fekula, 2011:para. 3). That observation grew into IowaWatch.org, a nonprofit that produces investigative journalism reported by University of Iowa students. Berry co-founded the website in 2010 with Robert Gutsche, a doctoral student who launched

another nonprofit a year earlier. WisconsinWatch.org, the online presence of the Wisconsin Center for Investigative Journalism and a nonprofit Gutsche helped launched in 2009, is a watchdog journalism outlet based at the University of Wisconsin-Madison. Both outlets have had impacts in their states, producing investigations that were published by legacy media, won awards and sparked change.

The IowaWatch example parallels other startups. Launched at a university, IowaWatch employs ambitious student journalists. Its publishing platform is the Web. It endeavors to produce diverse reporting that affects wide swaths of Iowans. It partners with legacy news outlets to spread its investigative product. It demonstrates the collaborative nature of the nonprofit journalism startup community, with the co-founder of one outlet involved in the launch of another. In mid-2015, IowaWatch had a budget of only \$133,000, with two full-time employees, but had the digital presence of a far more substantial operation (The Knight Foundation, 2015a).

Not all startups reflect these traits. Many do not rely on university students or funding. Others have more funds with professional reporters and function more like a new media newsroom with roots in legacy tradition. But holistically, they share a goal of producing hard-hitting journalism that was once dominated by deep-pocketed newspaper investigative teams and veteran statehouse beat reporters. The landscape has shifted far from that old model. A decade ago, *The Seattle Times* had an investigations team of about 10 reporters. Now, in Seattle, a city that used to read two newspapers with watchdog reputations, the *Times* only has four investigative reporters (Analysis of Seattle Times, 2015). Now, InvestigateWest, a nonprofit started in 2009 after the demise of *The Seattle Post-Intelligencer*, Seattle's other daily paper, has as many employees endeavoring to do

similar reporting in the same city. The reason for InvestigateWest's existence? "In 2008, an estimated \$4 billion disappeared from newsroom payrolls — including more than 1,500 newspaper jobs in the Pacific Northwest," the startup's "case for support" section states (InvestigateWest, n.d.).

According to an analysis of nonprofit journalism mission statements, these organizations "aim to re-connect citizens with news about public affairs through a rebuilding of community trust" (Konieczna & Robinson, 2013, p. 969). The study found these outlets all believe they fill a hole in their respective communities. Most value investigative work. The professional association for these organizations reflects this. In 2009, journalists from 27 self-identified nonpartisan and nonprofit news outlets met in New York (INN, 2009). They laid the groundwork for the Institute for Nonprofit News, also known as INN and formerly known as the Investigative News Network, an organization created to foster collaboration and establish standards for a new generation of nonprofit news outlets working in the public interest. A section of their declaration stated: "There is an urgent need to nourish and sustain the emerging investigative journalism ecosystem to better serve the public" (INN, 2009). INN now counts more than 100 nonprofit organizations as members, significant growth in a new sector of the journalism industry.

In 2012 and 2013, the Pew Research Center issued two studies on nonprofit news outlets. The first was a listing of 172 digital nonprofit news outlets launched between 1987 and 2012 (Pew Research Center, n.d.). (Only 165 of the 172 were still active when the report was published.) While the list has not been updated, it remains the best resource for a macro-analysis of nonprofit startups. (Another list, maintained by the

Columbia Journalism Review, is more difficult to navigate and not solely nonprofit-focused. The list has not been updated since 2013) (CJR, n.d.).

While the data is dated, a summary of its findings is informative. Many of the outlets are in the country's population centers: nearly 30 percent were in New York, California and Texas; 10 were in Washington D.C. Ohio counted only two, neither of which have any presence in statewide news coverage. The survey also found few were true nonprofits: 70 percent were sponsored by other organizations; 35 percent were sponsored by foundations or other nonprofits; 23 percent were sponsored by universities. Only 28 percent were started prior to 2008, another indicator of the post-recession demand for nonprofit news. In fact, a majority were launched in 2008 and 2009. Broadly, these organizations vary widely in their coverage areas. But of the 59 organizations with a governmental or investigative bent, 73 percent had a statewide editorial focus. For nonprofits covering government, that percentage rose to 86 percent. These statistics demonstrate a clear state-level demand for investigative reporting and government watchdog work (Pew Research Center, n.d.).

In the nonprofit realm, those two missions are often intertwined. The Texas Tribune, a nonprofit in Austin with more statehouse reporters (15) than any news outlet in the country, is classified as having a "government" editorial focus in this study (Pew Research Center, 2014a). But like many of its peers, the Tribune is rooted in a belief that investigative, accountability journalism is critical for effective function of state government.

Following this primarily geographic and editorial summary study, Pew dove deeper in a report on nonprofit journalism (Mitchell, 2013). (It is not as current as the

Knight Foundation’s 2015 work on nonprofit startups, which shows progress beyond a key Pew finding in 2013 that some nonprofits were, based on 2011 data, too reliant on foundation funding to be sustainable. But Pew’s work remains important. The Knight report is detailed in the next section.) The findings of the nationwide survey of 93 of the 172 nonprofits identified in the 2012 research yielded a key finding: 54 percent of the nonprofits identified “business, marketing and fundraising” as the greatest area of staffing need (Mitchell, 2013). This came before editorial needs, despite staffs of five or fewer full-time employees at 78 percent of the organizations. Given the youth of most of these organizations, this highlights the need for any new nonprofit to create a financial plan to become sustainable. Among other important financial findings, nearly two-thirds of nonprofits said they launched with a single grant to cover a third or more of their costs. But only 28 percent of those organizations said that original donor agreed to continue their financial support at any level.

Research shows successes exist in the nonprofit sector. The need and demand for its product undoubtedly exists. Outlets have expressed optimism about the future, and some have neared financial solvency. Their audiences have grown, and some have diversified streams of revenue. But this model is not yet sustainable. And many lessons remain from the growing pains felt by these nonprofits, lessons that can inform the development of a nonprofit newsroom launched in Ohio.

Revenue Models and Sustainability

WyoFile.com operates with very little. With three full-time employees and a budget of less than \$350,000 (in mid-2015), the organization has to make every dollar count while balancing its investments in future growth (The Knight Foundation, 2015a). Launched in 2009, the organization is now thriving thanks to two years of initial financial underwriting and a five-year plan aimed at sustaining the outlet beyond its initial donor. The key to this plan was setting strategic business and financial goals. While this required diverting money away from the news operation, it has paid off. WyoFile now counts a number of major underwriters as supporters of its journalism. They have diversified from initial seed funding provided by Christopher Findlater, a wealthy Wyoming businessman and political donor who conceived of WyoFile. The Wyoming Humanities Council, a Wyoming casino and a company that specializes in carrying bear spray, among others, all sponsor the website's reporting (WyoFile, Underwrite/Sponsor, n.d.). This led to reporting on a variety of topics, including in-depth reporting on a key Native American reservation, journalism documenting massive government conservation efforts and digging into an alarming rate of workplace injuries and deaths (WyoFile, WyoFile Special Reports, n.d.).

WyoFile detailed its five-year plan in the 2015 Knight Foundation report entitled "How Nonprofit News Ventures Seek Sustainability" (The Knight Foundation, 2015a). It should be noted that while the WyoFile story is informative, the organization is relatively small, and the Knight report found a variety of funding trends among nonprofits. The 20 nonprofits — 10 local and 10 state/regional — Knight surveyed are slowly moving away from foundation funding, but it remains a critical source of funds (The Knight

Foundation, 2015a). Overall revenue increased 73 percent between 2011 and 2013, driven by a diversification in funding sources but also in larger foundation giving (The Knight Foundation, 2015a). Overall, advertising (technically “sponsorship” at nonprofits) revenue was flat. The minimal increase in earned income — 5 percent — came from growth in sponsorships and in-person events, not traditional advertising (The Knight Foundation, 2015a). Perhaps the most positive finding was the overall 75 percent increase in Web traffic over the two-year period, largely driven by mobile users and social referrals. Four startups with an investigative, state focus doubled their unique visitors in 2013. But the report’s findings are not rosy. “Progress has been uneven and for the majority of organizations in the study, sustainability is just a premise on the distant horizon,” largely because of a heavy reliance on foundation funding, the Knight Report (2015a: p. 23) states.

Within the report, however, are indicators that detail ways these startups can continue to grow and mature. One of a few anomalies, and a poignant case study for this project, of the reliance on foundation funding is MinnPost.com. Launched in 2007 with primarily local financial backing, the nonprofit, based in Minneapolis, Minn., aggressively aimed to decrease its reliance on foundation funding from day one. Its plan is working. In its 2014 year-in-review, the MinnPost said it generated 54 percent of its cash from earned revenue (\$1.08 million of \$2.04 million), comprised of member donations — raised through public-radio style pledge drives — events, sponsorships and advertising (Kramer, 2015). In the same period, the report said, 39 percent of its revenue came from foundations. But the latter number is skewed higher by three major grants for special projects. After removing those grants, the MinnPost relied only on foundation

funding for 13 percent of its revenue. While that \$525,000 reflects a commitment to covering important subjects and innovating — one grant was for K-12 education reporting while another paid for membership strategy and development — it shows the organization has pivoted from total reliance on foundations to a number of diverse funding streams to cover its general operating costs. In 2014, earned revenues covered 65 percent of 2014's \$1.66 million in expenses. The MinnPost ended the year with its fifth-consecutive annual surplus and \$722,000 cash-on-hand — its strongest position since its 2007 launch.

The MinnPost has found ways to make at least a few of its readers pay for its journalism through a few key areas other nonprofits have yet to fully exploit. Two are worth highlighting: donations from members, somewhat akin to a subscription model, and sponsorships. The MinnPost has pioneered new membership models to support its journalism. Three beats are entirely donor-funded, drawing dozens of donors who each paid at least \$1,000 for coverage of mental health and addiction, environmental topics and the arts. In 2014, the MinnPost had 2,247 donors while a reader survey showed high satisfaction with MinnPost journalism (MinnPost, 2014). To increase membership in 2015, the organization rolled out benefits, including free subscriptions to The Atlantic magazine, discounts to MinnPost-sponsored events and opportunities to interact with MinnPost journalists. Readers are encouraged to give as little as \$5 a month to support journalism. This growth and innovation led to a \$600,000 grant from the Knight Foundation to foster further growth in the membership area. Whatever successes MinnPost and the other grant recipient, the Voice of San Diego, have with audience growth will be shared with other journalism nonprofits.

A 2012 study of four nonprofits, which included the MinnPost, found nonprofits do not need to copy their for-profit counterparts to be successful (Powers & Yaros, 2012). Instead, the authors found the top reasons readers gave money to support nonprofit journalism were writing quality, depth of coverage and quality of journalism. Breadth of coverage — an attempt to cover anything and everything relevant to a community — was not critical to these readers. The study found news nonprofits are successful when they create journalism their audience believes newspapers no longer supply. That journalism also makes audience members more likely to donate. The study also found that if a donor attended a nonprofit's event, they were likely to give more money, more often. Efforts to encourage communication between readers with a shared passion for a nonprofit's content were likely to yield larger contributions. While overall donor engagement with content did not necessarily increase after money was donated, the study found a donation led to increased discussion of a nonprofit's journalism. This created a valuable public relations role that could lead to a grassroots increase in site visits and donations. It also reinforces the earlier goal of social capital creation.

A key component of the MinnPost's membership growth has come from engagement with the audience via sponsorships, both of events and of MinnPost.com. On Nov. 2, 2015, the MinnPost celebrated its 8th anniversary with special guests Bill and Judith Moyers (MinnPost, 2015). Tickets were priced to raise money for the event and sponsorship packages offered visibility for those donating substantially to support MinnPost journalism. It raised tens of thousands of dollars. This is one of several events the organization puts on. The MinnRoast, an annual satirical event featuring prominent Minnesota politicians and media members, generates tens of thousands of dollars in

annual revenue for the organization (MinnPost, n.d.). Sponsorship and advertising revenue was even between 2013 and 2014, but still represented more than \$400,000 of the MinnPost's 2014 revenues. The University of Minnesota, health care organizations, arts groups and others were listed as notable sponsors in 2014, again showing a diverse base of funding and in-kind support. All in all, this paints a picture of an organization with revenues diversified beyond foundation support.

The MinnPost is not entirely out of the woods: in 2016, when Knight funding runs out, the organization's revenues from members, sponsorships and other sources must grow substantially to keep the startup breaking even (Powers & Yaros, 2012). But these successes over a relatively short time frame — the MinnPost did not exist less than a decade ago — show avenues for continued revenue growth and ways other nonprofits could also diversify.

WyoFile's inclusion in the Knight Report was instructive in another way: it said the organization's greatest staffing need was more expertise in drawing underwriters and grants. Increasingly, nonprofits are hiring directors of development and employees to focus on various kinds of fundraising. In September 2015, ProPublica, a nonprofit news leader, hired a vice president of development. Knight found organizations with business plans and financial goals experienced substantially more revenue growth than organizations without them (The Knight Foundation, 2015a). For example, organizations with financial goals experienced 88 percent revenue growth between 2011 and 2013; organizations without those goals only grew 16 percent. The need for short- and long-term business-side goals is clear, but this requires a delicate balance between spending on editorial and the business side. Traditionally, newsrooms put far less than a majority of

their money into content production. The New York Times is viewed as an anomaly among newspapers for putting a fifth (20 percent) of its revenues into the newsroom. The average for daily newspapers is 12.5 percent (Doctor, 2015). (That level of newsroom investment is a reason some cite for why the Times recently hit 1 million digital-only subscribers.)

Nonprofits invest differently than legacy media. Editorial spending, on average, is half the budget for these organizations (The Knight Foundation, 2015a). The rest is split between marketing / development, information technology and general administrative costs. While marketing and development costs have slightly increased in the past few years, the bulk of funding continues to flow to the newsroom. This keeps overhead low. To some degree, however, this breakdown depends on the size of the organization. Organizations with \$500,000 or more in expenses spent more on marketing and development than smaller organizations, suggesting “it is not until reaching a certain size that they feel positioned to invest more heavily in ‘future-oriented’ core competencies and functions,” the Knight Report (2015: p. 17) states.

The Texas Tribune is an example of this. A nonprofit organization now in its sixth year, the Tribune employs a director of events, a chief development officer, a chief innovation officer, a director of marketing and other positions smaller nonprofits do not have. In 2013, the Tribune’s revenues were more than \$7 million while expenses hit \$5.2 million with 42 employees (The Knight Foundation, 2015b). More than \$1.5 million of that was spent on marketing alone, even though the newsroom still received the largest chunk with \$2.5 million, nearly 50 % of expenses. Jake Batsell, a 2013-14 fellow at the Tribune and an assistant professor at Southern Methodist University, described the outlet

as a “mission-driven business” (Batsell, 2015). The Tribune has a focus on its mission and believes revenues can be grown by continually adding value to the lives of Texans, Batsell argued. “... It stems from an understanding throughout the organization that, ultimately, to stay in business and carry out its public-interest mission, the Tribune needs more revenue,” Batsell (2015: p. 29) wrote while he detailed how the Tribune set out looking to diversify its revenue streams from day one.

One fairly recent academic study has some relevant findings on alternative revenue models for news organizations. For our purposes, the study’s closing statement is of great interest: “The irony of the present situation is that never before has the need for alternative media models been more pressing, but despite decades of discussion, we still know remarkably little about whether and how the many different alternative media experiments actually work or whether they have the potential for long-term sustainability” (Kurpius & Metzgar, 2010: 374). That was written in 2010. Since then, several nonprofits have become nationally-renowned for their journalism and many others have grown toward filling substantial coverage holes in their communities. But in terms of “remarkably little” research on alternative models, the statement still largely rings true. The authors of this study offer a few key findings. First, they assert that seeking foundation, private or other funding for a nonprofit startup is no more challenging than asking advertisers to part with money for a profit-driven news outlet — an interesting claim counterintuitive to traditional, legacy media views. The authors also suggest branding startups as operations that will affect how the public considers important information is critically important to their success, as is ensuring advertising is interactive and takes full advantage of its digital platform (Kurpius & Metzgar, 2010).

The 2010 study also references 2008 research on the “consequences of different forms of newspaper ownership,” a study that aimed to find the best form of media ownership.

Without settling on a particular form of ownership, the 2008 paper said a for-profit model was the most likely to find long-term sustainability (Picard & Weezel, 2008). The 2010 research said the same.

Curiously, these studies, the Knight reports and other research, consistently highlight a growth in nonprofit news success tied to grim predictions about its unsustainability. There is a dearth of research on a wide range of revenue and financial models applicable to the future of news nonprofits. My summary of existing literature takes a consistently conservative, narrow view of nonprofit news startups. While acknowledging how many startups have launched since 2008 — with relatively few collapsing since then — researchers are often quick to highlight reliance on foundation funding and grants as a sure sign of trouble. But in a rush to find *the* solution to journalism’s business model, they fail to notice a new segment of newsrooms that develop diverse revenue solutions. In other words, what does “sustainable” mean? Still operating after three years? Five years? 10 years?

In an era where jobs in journalism are consistently cut, these nonprofits are hiring and trying to quickly position themselves as necessary, must-fund alternatives to traditional models. Context shows, in many cases, these startups are experiencing growing pains and uncertainty as they move forward. But the number that continue to find new, diverse opportunities for revenue is encouraging. And the journalism they contribute to communities thirsty for investigative, public affairs reporting — as backed

by surveys, research and polling — has gained the attention of audiences in those places, changing the equation for how citizens consume news.

Ethics

While WyoFile has experienced editorial successes, the opponents of its initial beneficiary have knocked its journalism as geared toward providing negative, “critical coverage of the GOP” (McMorris, 2012). Findlater, WyoFile’s founding donor, is associated with Democratic political causes across the country. How is this relevant to WyoFile? Because it raises an ethical quandary any nonprofit news organization can face: accept money from donors who support the goal of quality journalism creation, then face the consequences of association with their money. Turn to the classic “Elements of Journalism” from Kovach and Rosenstiel (2001) and you’ll read that journalism’s “practitioners must maintain an independence from those they cover” and “it must serve as an independent monitor of power.” (p. 11) A nonprofit’s acceptance of funding could run afoul of these ethical pillars. The presence of a conflict is irrelevant. Further, nonprofits are often set up with close ties between newsroom and business operations. This could create further opportunity for donor editorial control. To produce news independent of donor influence, nonprofits must have an ethics code and process in place.

To harken back to research cited earlier, there is both anecdotal and academic evidence news nonprofits view themselves as independent watchdogs. Most state this publicly (Konieczna & Robinson, 2013). Research published in 2014 focused on ethics at the MinnPost (Konieczna, 2014). The study raised an ethical red flag. While the

researcher noted no blatant ethical breaches, MinnPost's leadership made a questionable choice: Editors seemed to slant their coverage toward the wishes of a donor. Specifically, the MinnPost started a beat at the request of a foundation; the foundation had no editorial control of the beat, but it existed because of their interest. To be clear, there was no suggestion MinnPost was ill-motivated, and the organization's leadership seemed aware of possible pitfalls generated by this move.

But this situation merits further analysis on a key point: Can a news nonprofit, reliant on corporate sponsors, foundation support and private gifts, maintain an independence from funding sources and a *loyalty to readers*? This is the key ethical question for nonprofit news. In 2008, Picard and Weezel (2008) published research on newspaper ownership models. Their conclusion on newspaper ownership is there is no perfect model, but a for-profit model likely offers the best chance of success. They also concluded a lack of profit motive might lead nonprofit newsrooms to face fewer editorial control issues. But this did not necessarily translate into higher loyalty to readers because pressure to raise private funds could trump news decisions. That statement can, and has, been challenged for two reasons. First, the study was mainly concerned with corporate performance, not ethics or journalistic values. Second, the study did not evaluate the primary focus of this research: lean, digital news nonprofits that have demonstrated myriad revenue-generation innovations. While valid, the 2008 research is already too old to be more than broadly instructive to current efforts to launch a news nonprofit.

We know nonprofits think their work fills a journalistic content void in a community. We also know they tout their mission and responsibilities. To translate these noble intentions into ethical newsroom operations, nonprofits most root decisions in

consistent processes and codified rules. That assessment comes from Kelly McBride, an ethicist and vice president of academic programs at the Poynter Institute in St. Petersburg, FL. “You want to make sure you are selling the values and principles of your organization,” McBride told a group of nonprofit news leaders at Poynter in January 2016, because “everybody who gives you money wants something” (McBride, 2016). McBride’s assessment is not necessarily new; codes of ethics have been common in journalism for decades. But this lesson is poignant for news nonprofits. “To bring in revenue” means two very different things for a nonprofit vs. a for-profit journalism outlet. The firewall between newsroom and business operations does not stop all financial pressure — “advertiser pressure” is well documented (Soley & Craig, 1992). But that firewall has been the traditional model at newspapers to defend against financial interference in content.

That split is impractical for many nonprofits. An organization’s editor or director is often also in charge of, or heavily involved in, fundraising. At Poynter, newsrooms leaders said they are constantly pulled into negotiations, even if they have staff tasked with development. “People want to talk to the boss,” said Jim Heaney, executive director of InvestigativePost, a nonprofit investigative newsroom in Buffalo, New York (Heaney, 2016). This increases the probability of a conflict of interest for nonprofit leaders. To mitigate the risk, nonprofits must have a process to manage ethical conflicts. At the Poynter event, McBride identified the steps of the process as:

Values (Truth) →

Translated into principles (Seek the Truth) →

Identify journalistic purposes and alternative actions →

Match outcomes to values (McBride, 2016).

This begins with defining a code of ethics prior to launch. Not all nonprofits have done this, but it is undoubtedly a best practice. Central to this code should be loyalty to readers, a trait already reflected in the mission statements of many nonprofits. The process builds from there: how will this decision affect the trust readers have in our product? How will readers perceive a transfer of funds from X individual or group? These ideas and questions are not revolutionary. On the contrary, they are grounded in a journalist's core goal of seeking the truth and telling it without fear. But nonprofits, which must establish credibility from scratch, must be acutely aware of the perception brought by their acceptance of support from moneyed interests. Audiences will only believe a nonprofit is loyal to them if they have no reason, real or perceived, to suspect ulterior motives.

But nonprofits can be looked at through a different lens. A general assumption is that adding journalists to the business side will negatively affect the ethics of news operations. An argument could be made that news nonprofits, typically small operations with close collaboration between news and business units, might be more ethical than for-profits because they lack the profit motive of media conglomerates. The pressure is to meet the bottom line, not exceed it. The goal is not to make money, but to produce quality journalism. There is no parallel relationship between nonprofits and for-profits, where advertisers expect a return on their investment. Skeptics of nonprofit journalism attempt to equate advertisers (for-profit model) with donors (nonprofit model). But that connection fails. In fact, donor support — through sponsorships, small contributions, large gifts, grants or otherwise — is defined as a charitable contribution in support of a

moral cause. While donors could always *try* to influence coverage, a close relationship between news and business operations means that influence will not succeed. A nonprofit newsroom that follows its ethics policy — which should include prohibition of donor editorial control — would instill the same rules in the business operation. This creates a mutual understanding for-profits may not enjoy: maintain loyalty to readers through ethical operations, or the business and editorial models simultaneously fail. A close relationship between business-side employees and journalists could logically result in avoiding ethical challenges driven by finances. We lack substantial research on whether adding journalists to business-side operations actually increases ethical decision-making. On this specific point, news nonprofits can only be analyzed based on anecdotes. At the Texas Tribune, a close relationship between news and business staffs has yielded positive ethical results (Batsell, 2015). Business-side employees worked closely to distinguish between guest and paid content, and business leaders routinely attend news meetings. This has led to a “mutual sense of trust underpinned by the Tribune’s nonprofit mission,” Batsell writes (2015: p. 17). While this is positive, the question — *whether a close coordination between news and business staffs at a news nonprofit leads to more ethical decisions* — requires further research.

Amid an international clamoring for a business model to allow media companies to “go on making lots of money,” a Spanish mass communication researcher wrote in 2011, “The public interest should be the first goal, and not money.” (Nuria, 2011, p. 39) Almiron-Roig Nuria (2011) argues countries need to support growth in nonprofit media before detailing various ways the shift toward nonprofit journalism can happen and how it can be funded. “We should not look for perfect forms of organizing the media business,

but for the least harmful ones we could devise right now,” he writes. While financial beginnings may post ethical challenges for news nonprofits, such organizations could make Nuria’s quote their motto. Given the goal of creating “the least harmful” outlets possible, successful news nonprofits understand their survival is linked to their credibility. So far, several best practices have emerged among these organizations to ensure they walk the line between acceptance of cash and loyalty to readers. The first is transparency. Many nonprofits publish a list of who contributed to their work and how much they gave. To receive a grant, the Knight Foundation requires donor transparency (Knight, 2016). These practices show the nonprofit news sector understands acceptance of money cannot only occur in good faith — it must be publicly documented to avoid negative perception. The Institute for Nonprofit News membership standards list transparency first, followed by nonpartisan journalism (INN, n.d.). All INN members must produce accurate, fair reports that show no favor or slant. Modeled off a classic tenet of journalism ethics, this is another nod to the importance of loyalty to readers.

In sum, no one should argue transferring money from the wealthy to a nonprofit newsroom is without danger. But this transaction, executed with the correct principles and process, may have even less room for ethical misconduct than a traditional for-profit, advertising-driven model. If donors understand what their gift buys — support for an institution driven by a moral goal of quality journalism production — they will have less recourse to influence journalism. Above all, a clear conversation about mission is critical to ensure donors understand a nonprofit’s mission while the newsroom is clear on donor intent. Further, the nonprofit industry is aware of the challenges sometimes attached to big money. They have developed strict guidelines to counter this. In the end, as in all

newsrooms, a process and ethics guidelines are only as good as the journalists' making decisions.

Conclusion

This first appendix is very instructive for anyone interested in the creation of a news nonprofit, particularly one focused on producing accountability journalism about state government in Ohio. The first appendix of this project reviewed the need for a news nonprofit. It examined their role in the future of investigative, public affairs journalism and how current news nonprofits have been financed. It also detailed possible ethical challenges — and how to prepare for them — and how nonprofits have connected with audiences in state and local markets.

As this project becomes Ohio-specific, it is important to keep the lessons of this research in mind. Anyone who dismisses news nonprofits as untenable ventures has little knowledge of the journalism industry. These outlets are launching and growing nationwide. But their primary challenge remains how to become financially stable. Sustainability will not happen soon for some of these startups. But there are instructive examples. Most of the nonprofits discussed here have reached some level of sustainability and will be financially solvent in the next few years. For outlets that are pioneering a business model from scratch, that is no easy feat. Their pathways to success — during which they produced *incredible* journalism for large audiences — have left tracks for future nonprofit news founders to follow.

Ultimately, the success of a politics and policy news nonprofit in Ohio will rest on who starts it, how prepared they are and how aggressive their approach is. Other success stories suggest a lean organization with a combination of young innovators and older experienced journalists is a recipe for success. A primary funder or two, who can become the fundraising champion of the project in the private community, are also common to successful nonprofits. A startup like the Texas Tribune, MinnPost or Voice of San Diego has never been tried in Ohio before. Those success stories will not translate exactly to the Midwestern swing state. But the examples of these news nonprofits and others are informative for a project to better cover Ohio state government and attract civically engaged Ohioans with a nonprofit news model.

**Reviving statehouse reporting: A startup plan for an Ohio
news nonprofit focused on government accountability
journalism and audience engagement**

Deliverable for Client

Will Drabold
2015-16 Professional Project in Journalism
Honors Tutorial College

Pitch

Swing // Project Proposal // April 17, 2016

Overview

The Buckeye State routinely picks the President. It is a descriptive slice of America. Ohio's political landscape exemplifies the contentious, powerful nature of American government. Billions of dollars budgeted in Columbus affect millions of Ohioans.

But the media organizations, which protect Ohio from corruption and mismanagement, are shrinking. About 25 full- and part-time newspaper and broadcast journalists cover the Ohio statehouse — one for every 440,000 Ohioans. No top newspaper is owned by an Ohioan. Meanwhile, the state's budget has grown 27 percent in the last decade.

Swing, a new nonprofit company and news website, will pick up the slack. We will engage Ohioans and empower them with information. Swing will produce journalism readers find relevant to the state and their lives. These stories will engage those curious and concerned about what drives, divides and defines America's swing state.

Mission Statement

Understand America's swing state.

Content and Distribution

Swing does journalism no one else is doing. Through original research and reporting, journalists will explain complicated Ohio politics and policy topics without taking a side. Swing will focus on issues surrounding education, environment, healthcare and the economy in Ohio. Stories will ask "so what?" or "now what?" and provide clarity.

Swing will produce one piece of content per week that adds value in these areas, filling a void in Ohio's news landscape.

At launch, Swing will primarily produce news articles and connect them with interested audiences. We hope to pursue interactives and databases, but that content will be added after launch.

Swing will be distributed through a WordPress-powered website, along with social media, partner publications, newsletters and civic networks. Optimize stories for smartphones.

Audience

Swing readers are regular people who care about their communities, or work in the public or nonprofit sectors:

- Public employees such as academics, teachers, state and local government workers
- Nonprofit leaders and state government watchdogs
- Politicians, journalists, lobbyists and political consultants
- People who give philanthropically, campaigns or have access to civic institutions

Metrics

Swing's impact will be judged in three ways and monitored by the Metrics Manager:

- **Reach:** social media, email shares; media coverage; unique pageviews
- **Conversation:** event attendees; influencer, politician dialogue; online engagement
- **Change:** legislation, protest, award, quote, meeting — what was the result?

Competition

Newspapers, TV and radio stations that see their hold on state reporting threatened:

- **Disruption:** Hammered by budget cuts, these outlets fail to utilize social media, interactives and data visualization to tell stories and engage with audiences.

Gongwer and Hannah News Services, digital subscription publishers:

- **Disruption:** Increase visibility by directly connecting with audiences to add value.

Model

Newsroom (\$360,250):

- Editor: \$95,000
- One senior reporter: \$70,000
- Two reporters, one of whom must be skilled with data: \$60,000 each
- Audience Manager (engaging and retaining audiences): \$55,000
- Statehouse News Bureau Fellows (college students working for \$450 a week for a 15-week semester): \$20,250 for three

Business (\$335,000):

- President: \$40,000 (Will Drabold)
- Three development officers (large donors, sponsorships, events, memberships): \$90,000 for Director of Advancement, \$70,000 for other two
- Metrics Manager (tracking impact to justify donor support): \$60,000

Roles

- **Launch Board:** A group to help connect staff with possible funders and other staff, provide idea validation and generate buzz. Launch Board dissolves after launch.
- **Board of Directors:** Created after launch, this Board is comprised of some members of the Launch Board and others who come on board to help raise money.
- **Advisory Board:** This group also helps to fundraise, but mainly provides advice on editorial and audience engagement strategies in concert with the newsroom.
- **Staff:** Produce journalism, connect it to audiences and generate earned revenues.

Launch Plan

The Launch Board and core staff will secure startup funding in the months before launch. The model calls for \$1.5 million from Ohio donors and foundations. A marketing webpage will launch to promote the brand at **swingohio.com** to attract potential funders, build credibility and collect email addresses of audience members. Swing will launch as Ohio focuses on 2018's statewide elections. Swing will have several stories and interactives ready at launch.

Revenue Sources

Large donors and foundations are key to the startup phase, these groups will provide initial seed funding to allow Swing to prove its concept and diversify revenues, using the following methods:

- **Events:** Swing will discuss issues and policies of concern to Ohioans. Revenue will be generated from sponsorships and tickets.
- **Memberships:** Swing will aggressively engage a target audience. Once that audience feels Swing's journalism adds value to their lives, a small percentage will contribute.
- **Sponsorships:** Swing's digital publications will have sponsorship opportunities.

Year One Budget

- **Salaries:** \$695,250
- **Benefits:** \$173,750
- **Technology:** \$35,000
- **Travel:** \$30,000
- **Marketing:** \$35,000

- **Rent:** \$35,000
- **Office Furnishings:** \$15,000

Total: \$1,014,000 (67 percent of \$1.5 million)

Timeline

- **May 2016:** Proposal finished
- **June 2016:** Launch Board selected, survey Ohioans about news use
- **Mid-July 2016:** Upload and share closed marketing page with Launch Board
- **August-September 2016:** Potential funder and Launch Board network sneak peek
- **October 2016:** Press placement and public launch of marketing page
- **February 2017:** Launch

Contact

Will Drabold, Founder and President, willdrabold@gmail.com, 740-707-8864.

Executive Summary

The state known for deciding the leader of the free world has a problem. In Ohio, legacy media underreports many stories. Few resources are devoted to contextualizing subjects with statewide importance like healthcare, education, energy and political influence. Newspapers produce journalism about Ohio's policy and political issues that fail to provide context and depth. Readership and the financial status of those publications has declined. Many Ohioans are engaged in their communities, but fail to connect with relevant journalism.

This story is familiar. Nationwide, journalism staffs have shrunk and stories have gone untold. But Ohio presents other unique challenges. The state has diverse constituencies: cities, industries, political groups and demographics that differ substantially. Money is drawn to different causes. No single city, idea, organization or publication drives Ohio's agenda.

Ohio's diversity and a void in its state journalism have created an opening. We propose to fill this opening with a nonprofit news outlet that will produce journalism about under-covered, niche topic areas. The journalism would be nonpartisan and relevant statewide. Its primary platform will be its website. Journalists would begin by offering context in four areas: Healthcare, Education, Energy / Environment and Money in Politics. In Ohio, these four areas are substantially under-covered despite large potential audiences. Journalists will produce more than traditional articles. Data visualization, videos, photos, interactive databases and other forms of digital storytelling will be used. Journalism must add value to the lives of Ohioans and be relevant to a large potential audience across the state.

In this model, journalistic content is directly linked to a revenue stream. By focusing on niche topic areas with large potential audiences that are underreported, the nonprofit can build an engaged audience. This makes Ohio's diverse makeup an asset. Across Ohio, existing networks connect individuals across the education, healthcare, energy / environment and political influence verticals. Public email addresses, newsletters, targeted publications, membership mailings, industry events — these mechanisms and others offer a connection to a vast network of civically engaged citizens. By tapping educators, students, doctors, lawyers, government watchdogs, environmental groups and others, the nonprofit can build a following among audiences in the public and nonprofit sectors. This will also build a following of engaged citizens.

These targeted engagement efforts will come on top of traditional engagement efforts: events, social media, and organic audience development. But those efforts will be tailored to how certain communities interact with the targeted engagement efforts. Beyond membership revenue, the nonprofit will also be funded through growing event and sponsorship revenues. These streams will be developed, in conjunction with audience engagement data and content growth, from launch.

To start the nonprofit, substantial financial runway must be provided, by large donors and/or foundations, of at least \$1.5 million. This would cover more than 1.5 years of initial expenses. It is also consistent with successful state-focused nonprofits that launched with enough runway to develop diverse revenue streams. Launching with quality products to engage audiences is necessary for financial success. A piecemeal approach is not an option.

Business Model Canvas

The Business Model Canvas is a staple of many business startup plans. The creators of the canvas call it a “strategic management and entrepreneurial tool.” The canvas breaks a business down into nine categories. They are: **Key Partners** (Who are Key Partners? Who are key suppliers? Which Key Activities do partners perform?); **Key Activities** (What activity does your value proposition require? Distribution channels? Customer relationships? Revenue streams?); **Key Resources** (What Key Resources do our value propositions require? Distribution channels? Customer relationships? Revenue streams?); **Value Proposition** (What value do we deliver? What customer problems do we solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs do we satisfy?); **Customer Relationships** (What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of the business model? How costly are they?); **Channels** (Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are the most cost-efficient? How are we integrating Channels with customer routines?); **Customer Segments** (For whom are we creating value? Who are our most important customers?); **Cost Structure** (What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?); **Revenue Streams** (For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute?). The canvas for this project is detailed on the next page.

<p><u>Key Partners</u></p> <ul style="list-style-type: none"> • Other media outlets sharing and promoting our content. • Ohio government agencies that provide public information. • Foundations that will fund and share our work. • Large donors that will provide seed investment for launch. • Readers who consistently engage with content and share it with friends. • A core group of users who pay to support the nonprofit’s mission. • Advice from similar news nonprofits. • Institute for Nonprofit News, providing varied logistical support. 	<p><u>Key Activities</u></p> <ul style="list-style-type: none"> • Report and edit stories. Hold public officials accountable. • Find, digest and share data. • Engage specific, civic-minded audiences. • Grow and retain members. • Create donor relationships. • Align corporate sponsors with nonprofit mission. • Create and monetize events. 	<p><u>Value Proposition</u></p> <ul style="list-style-type: none"> • Create original, unique coverage of Ohio politics and policy for a civically engaged audience. • Engage targeted audiences hungry for information on how state government affects their lives. • Offer Ohioans insight into how government function and more means to monitor elected leaders. • Deliver digital content: social media, events, partnerships with news organizations, data content and multimedia packages. 	<p><u>Customer Relationships</u></p> <ul style="list-style-type: none"> • Customers must be introduced to content. • Some customers must be hooked to become engaged, regular users. • A fraction of them must be engaged to the point they give to the nonprofit and are monetized. 	<p><u>Customer Segments</u></p> <ul style="list-style-type: none"> • Large donors and foundations — critically important to initial launch. • Civically engaged Ohioans: educated, voting, middle-aged, affluent, civically active, news consuming. • Three targeted audience segments: active influencers; digital politics news junkies; and engaged citizens. • Public and nonprofit sector employees — people who feel affected by state government actions. • Users who develop into a segments that financially supports the nonprofit’s mission — these are the most engaged and important customers.
<p><u>Cost Structure</u></p> <ul style="list-style-type: none"> • Largest cost: salaries for journalists, to produce content, and other employees. • Office space and equipment. • Digital content hosting: website, app, digital properties. • Event costs. • Paid content sharing: social media promotion, targeting civic networks. • INN member fees. • Legal and government startup fees. • Possible: consulting costs. 	<p><u>Revenue Streams</u></p> <ul style="list-style-type: none"> • Many customers pay little or nothing for news. Some subscribe to newspapers or contribute to public media. The main goal <i>from launch</i> will be to develop an engaged, core audience that contributes \$5,000 or less annually to the nonprofit. • Revenue from events: ticket sales, private and company sponsorship. • Sponsorships from private companies. • Foundation grants (key to startup phase; must taper off.) • Large private donors (key to startup phase; must taper off.) • Eventually, develop a diversified revenue portfolio grounded on member and event revenue. Large private and foundation giving can continue, but cannot be a sustainable funder of daily operations after five years. 			

Audience Profile, Engagement and Monetization Summary

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Few nonprofit news startups conduct market research or attempt to understand their audience prior to launch. This research has been heavily informed by a demographic analysis of Ohio, understanding who the “civically engaged” are in Ohio, a focused market analysis of Ohio’s three-largest markets, an audience engagement plan and a goal for monetizing that audience. This document is a summary of research detailed in Appendix II: Audience.

Content

The goal of this nonprofit is to create engaging, relevant coverage of Ohio state government. The central aim is to revive watchdog reporting of Ohio state government, stimulate discussion about state politics and policy and engage audiences with fresh content. In the theme of *The Texas Tribune*, *MinnPost*, *VTDigger* and *The Voice of San Diego*, this nonprofit will create content of high interest to Ohioans who are “civically engaged.” Some newsroom resources will be devoted to investigative and government accountability content on state government, which has declined as the state’s journalism outlets have cut back on statehouse reporting.

Audience

This research was done in three stages, each of which built on the next.

Interviews with the leaders of four other news nonprofits, accompanied with audience research from those outlets, revealed shared trends between who engages with content from these similarly focused nonprofits. Based on this research, we can assume several things about a potential audience member in Ohio. S/he is more likely to:

Be **registered to vote**; Be **college** educated; Be at least **40 years old**; Have a **relatively high income**; Work in the **nonprofit** or **public sectors**; Be an avid consumer of **digital-news**; **Volunteer**, participate in **local civic groups** or participate in **political activities**; give to **philanthropic causes**; visit **community cultural establishments**

Ohio has more than 11 million residents. Most of them are not the target audience for this startup. But the potential audience is still substantial. Some highlights:

More than **1.1 million Ohioans have incomes at or above \$100,000**;

More than **10 percent work in the public sector**;

Nearly **10 percent work for nonprofits**;

About **29 percent are likely to volunteer their time** and **66 percent** give to charities.

Within those groups, there are about **2.2 million people**, about 20 percent of Ohio's population, that research of Cincinnati, Columbus and Cleveland markets **identified as potential audience members**. Those people were grouped into three target segments, identified in the following way:

Active Influencer: household-income of \$100,000 or more AND gave to cultural, political OR social causes in the past year.

Digital Politics News Junkie: always vote in the local elections AND visited a newspaper OR television news website in the past week.

Engaged Citizen: volunteer AND visit museums OR dance performances OR symphony, opera etc.

Engagement

Successful news nonprofits have led the way in new ways to engage audiences in journalistic content. This is crucial to long-term financial health of the organization, as readers must eventually be converted to loyal members who donate to support the newsroom. Three specific efforts are highlighted below. Based on engagement with these efforts, a more-defined audience can be developed and targeted.

Tap existing civic networks: Ohio's public and nonprofit sectors have a myriad of publications, organizations and contact information that can be tapped to promote this nonprofit's mission.

Social media strategy: The crux of this lies in finding and targeting existing Facebook groups of potential audience members identified through market research.

Events: news nonprofits have led the way to creating events to develop a highly engaged, niche following. A successful nonprofit in Ohio must do the same in-person and social events.

Monetization

Based on research from existing, similarly focused news nonprofits, we can assume, over two-years, the monetization of **2,000 members**. Based on a one-time donation from each of those members in a range between \$25 and \$5,000, we can project **\$442,500 in revenue from the audience** two-years after launch.

Reviving statehouse reporting: A startup plan for an Ohio news nonprofit focused on government accountability journalism and audience engagement.

Background Material

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**Reviving statehouse reporting: A startup plan for an Ohio
news nonprofit focused on government accountability
journalism and audience engagement.**

Business Plan

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Introduction and Plan Structure Explanation

This business plan presents a way to create a nonprofit news outlet in Ohio that produces politics and policy coverage of state government. The plan details why this content will succeed in Ohio and who must engage with it. America's seventh-largest state has several characteristics that make it ripe for this project: a large potential audience, substantial private wealth, national political importance and an ailing legacy media industry with few new media alternatives. This business plan is heavily informed by industry standards, academic research, business model analysis and conversations with nonprofit news leaders. In an effort to make this plan as realistic as possible, its ideas have been drawn from the best practices established by the country's leading news nonprofits. These startups, with similar editorial missions, are reshaping how civically engaged Americans learn about their government. Their model can be successful in Ohio.

This plan is structured according to a guide from Sequoia VC, a national venture capital firm that helped launch companies like Apple, Yahoo, Google and Square. The plan is separated into four sections: Purpose, Problem, Solution; Why Now?, Market, Competition; Product, Business Model, Team; Financials. These separations will help the reader understand the natural progression from idea to launch. This plan also refers to Appendix I: Literature Review, Appendix II: Audience, Audience Summary and Business Model Canvas. Those documents are all included in this professional project. The project's Executive Summary and Pitch are concise summaries of this plan.

Purpose, Problem, Solution

Company Purpose

Understand America's swing state.

Problem

Only 26 journalists at mainstream Ohio journalism outlets consistently cover state government. *The Cincinnati Enquirer*, *The Dayton Daily News*, *The Toledo Blade* and *The Youngstown Vindicator* each have one statehouse correspondent. *The Cleveland Plain Dealer* has three. *The Akron Beacon Journal*, which used to staff a large bureau in Columbus, has no bureau. *The Columbus Dispatch*, with six state government reporters and editors, was recently sold and its financial future is unclear. Further, Ohioans are not sufficiently engaged in Ohio's political and policy issues through digital, including social media, events and online offerings. There is not enough analytical, probing coverage of Ohio's government. And Ohioans who need and want this coverage are not receiving it. A lack of contextual information is bad for the democratic process and bad for citizens. It allows government to operate in the dark and leaves fewer checks on power.

Solution

Launch a nonprofit newsroom that will narrowly focus on analytical and explanatory coverage of state politics and policy in Ohio. Fund this newsroom through an engaged core audience, corporate sponsorships, event revenue, substantial private funds and foundation support — with the goal of minimizing the latter two as much as possible after launch. Audience engagement is key, both for content and financial sustainability.

Why Now, Market, Competition

Why Now?

Since 2008, dozens of nonprofit newsrooms have launched around the country. (Pew Research Center, n.d.) Their mission is generally the same: fill the void left behind from cuts at legacy journalism publications like newspapers. Ohio newspapers, the longtime government watchdogs, have experienced turmoil. Their newsrooms and circulations have shrunk. In the meantime, audiences have moved online. Mobile and social media now drive a majority of traffic for many news organizations. (Pew Research Center, n.d.) Focused audience engagement and unique content production efforts have emerged as paths to financial sustainability. (Sass, 2016; Zalmanson & Oestreicher-Singer, 2016; The Local News Lab, 2016; Pfauth, 2015) In Texas, California, Vermont, Minnesota and other states, news nonprofits have implemented strategies to engage specific audiences. In the short-term, this builds a dedicated audience. In the long-term, it creates a core group of supporters that financially supports journalism.

For this project, the answer for “Why Now?” is two-fold. First, the decline of Ohio legacy journalism reporting on state government has left a gap to be filled. The scale of that drop in reporting has varied nationally, but overall, there were 35 percent fewer reporters covering state government in 2014 compared to 2003. (Pew Research Center, 2014a) That gap gave rise to outlets, many of them nonprofit, which cover state government in new ways. Their successes are the second reason a nonprofit newsroom is now possible in Ohio: there is substantial information on how to launch and sustain a news nonprofit. Even five years ago, too little information was available to develop this plan. When Joel Kramer launched the MinnPost in 2007, no blueprint existed for how to

sustain his nonprofit startup. Nine years into his experiment, Kramer said he still worries about how his peers approach the sector. “Their initial funding is from foundations, and they don’t have a business side strategy,” he said. (Kramer, Interview) “That’s not sustainable.” Indeed, many nonprofits launched with little-to-no market research and minimal business strategies; many still cite the latter as their main impediment to success. (The Knight Foundation, 2015a)

A combination of industry studies, academic research, sector support and introspective adjustments has made it possible for this project to take a different path. The literature review and audience research are valuable, given their distillation of that information. Different than some other nonprofit news startups, this plan is first-and-foremost focused on money: where to get it, how to make it and how to keep it coming in. Those components, heavily informed by recent examples and research, will be central to any launch and growth strategy for a nonprofit newsroom in Ohio.

Market

“Most (nonprofits) do very little or no market research before launch. It would be a huge improvement if this was a more widespread practice,” said Lisa Williams, the Institute for Nonprofit News’ former head of audience engagement, about the non-profit startup landscape. (Williams, Interview) This project has two components focused on this nonprofits potential audience: Audience Research (a detailed breakdown of other nonprofit audience research and how it applies to this startup) and Audience Summary (a short distillation of who this startup should target, why and how to make money from

them). I direct those seeking more detail on this startup's potential audience to those documents.

Broadly, the market for this startup's journalism are civically engaged Ohioans. They are the most likely to vote, are middle-income or above, are college educated, volunteer, make philanthropic contributions and work in the public / nonprofit sectors. These are not mandatory characteristics of a likely user, but each of those characteristics increases potential interest. Millions of Ohioans fit at least a few of these characteristics. But other nonprofits have shown fairly small percentages of the population will show any consistent engagement with content.

To further whittle down this audience, I identified three likely user groups: Active Influencers, Digital Politics News Junkies and Engaged Citizens. In Ohio's three largest markets — Cleveland, Columbus and Cincinnati — I identified a potential audience in those three categories of about 2.2 million people. (More detail on those groups can be found in the Audience Research and Audience Summary sections). Until launch, there is no way to know exactly who will engage with this nonprofit's content. But this research yielded the best pre-launch potential audience without expensive market research.

The financial longevity of this startup will rely on effectively engaging and monetizing a segment of this audience. That will be detailed in the Business Model portion of this plan.

Competition

The nonprofit nature of this project presents a unique set of advantages and challenges to finding funding and retaining audience. Several entities will compete with this startup for market share and cash. Not all are groups and organizations; some are competing perceptions. Below, we detail what challenges they present and how to overcome them.

Legacy news organizations

Unlike Illinois, New York, Washington, Arizona or other large-to-mid sized American states, Ohio does not have one dominant media market. The country's seventh largest and politically decisive state has three large metropolitan areas and several other distinct, smaller markets. This has led to a large number of media outlets, but none with dominant command of the state's audience. A news nonprofit that is based in Ohio's capitol will have to aggressively dominate the state's politics and policy conversation while seeking potential audiences in areas across Ohio that are not trained to consume Columbus-based news. The startup should also seek to partner with existing news organizations with the goal of increasing civic engagement in state news.

If other news organizations see this startup as a threat, that will create challenges to rapid audience growth. A lack of a main Ohio news source means this startup will not have a single key competitor. But the various newspapers and TV stations around Ohio must run content from this startup and they must be willing to partner on stories. Their participation is critical because they offer access to existing Ohio audiences and offer credibility to the product. Connecting these fragmented audiences has proven possible for similarly minded news nonprofits in other states (Texas, Vermont, Minnesota), though

initial audience is typically concentrated around the state capitol. Over time, Ohio's news organizations must come to view this startup as the best, largest single provider of Statehouse news. That means this nonprofit must become part of the Ohio Legislative Correspondents Association (OLCA). Members of that group are given special access to Ohio's politicians and space in the Ohio statehouse. Ohio's statehouse reporters run OLCA, yet another reason this nonprofit cannot alienate its peers.

As quickly as possible, competitors must be converted into partners. This will primarily be the job of the nonprofit's editor-in-chief and the director of audience engagement, at least in the startup phase and after launch. This means the nonprofit will be able to tap audiences all across Ohio and attract new readers to its website.

Investigative reporting centers have pursued this strategy for several years. "My audience is the audience of my partners," said Jim Heaney, editor and executive director of InvestigativePost in Buffalo, NY. (Heaney, Interview) That model is too singular for this nonprofit, which endeavors to post content daily and have an independent audience engagement strategy. But especially for substantial stories, Heaney's model and its benefits should not be ignored.

Other nonprofit and philanthropic causes

To meet content production, audience engagement and impact goals, this nonprofit must launch with an infusion of cash the average Ohioan cannot provide. That means foundations and individuals will have to shoulder the initial startup capital to launch this project in a meaningful way. That places this startup in direct competition with the giving priorities of Ohio's philanthropic community. Instead of giving to education, healthcare, elections or art, we will ask wealthy and influential Ohioans to

give to journalism. This must be navigated carefully. Ohio's philanthropic class must be convinced this news nonprofit aligns with their mission. Many foundations have missions focused on education, social impact and civic participation. By offering examples from other states and ways this nonprofit could engage the citizenry in Ohio, a pitch to philanthropic organizations is more likely to succeed.

This plan calls for hiring a director of development in the startup phase. While a familiarity with journalism would be a plus, this person must have deep experience pitching diverse ideas to Ohio's wealthy. Hiring a respected name in Ohio's development world will not be cheap, but it may literally payoff massively. Pushing Ohio's wealthy to move a slice of their giving away from a pet cause to journalism will not be easy. The task will be far easier if the person making the pitch is known to and trusted by those with means. Plus, other nonprofit leaders said donors typically want to speak with the editor. Having an experienced, trusted development officer will give the editor more time to focus on content production instead of raising money.

Foundation ideology

This news nonprofit has a further fundraising hurdle. Other than the Scripps Howard Foundation, no Ohio foundation is accustomed to funding journalism projects. There are few wealthy Ohioans who have experience in journalism. The most notable is John Wolfe, the former owner and publisher of *The Columbus Dispatch*. In sum, wealthy Ohioans are not accustomed to funding journalism. In fact, at least among foundations, most never have. This is not uncommon. Nonprofit leaders in other states said their outreach to state and local foundations was the first "journalism pitch" for those organizations. (Kramer, Brown, Griggs, Galloway, Interviews)

This startup must be pitched to the mission of each foundation and the background of each large donor. That *does not* mean comprising the goals and integrity of the organization. Instead, it means detailing to potential donors how this nonprofit's mission fits theirs. For example, the Columbus (OH) Foundation gave out more than \$140 million in 2014 — as much as the John S. and James L. Knight Foundation, the country's premier funder of journalism projects. To tap that pot, this nonprofit will have to sell itself as a needed addition to Columbus (first) and Ohio (second). Foundation leaders will have to be convinced a decline in coverage of state government is bad for the well being of central Ohioans and must be remedied. They must also be convinced other revenue streams can be grown quickly. Other news nonprofits have found most large, initial funders only want to contribute once. We have to make the most of their money.

Product, Business Model, Team

Product

This section is drawn directly from this project's Business Model Canvas. More detail is offered under each value proposition. In sum, the product adds value in four areas: new journalism, engagement, informative content and multimedia storytelling.

Create original, unique coverage of Ohio politics and policy for a civically engaged audience.

This news nonprofit will launch with a simple aim: expose audiences to news, ideas and information in new ways. In other words, create journalism about state politics and policy that is unique. In this context, "journalism" is not simply articles. It is an umbrella term for new approaches to storytelling and content production. A panel discussion is journalism. An interactive chart is journalism. A podcast that breaks down the day's political news is journalism. A visualized, searchable public database is journalism. A live stream is journalism. Instead of legacy media's focus on breaking or process political news, this nonprofit will focus on coverage of state politics and policy news that adds unique angles. It will become the place for informed Ohioans to seek information on how state government affects their lives. In a nutshell our motto could be "Wondering about a story in Ohio politics? This startup is for you." Stories must be covered across media: video, podcasting, infographics and other digital storytelling tools must be frequently used to tell stories in the best way. This nonprofit must exploit new storytelling techniques. At this startup, "how do we tell this story in a new way?" must be asked constantly.

Engage targeted audiences hungry for information on how state government affects their lives.

Producing unique, compelling content is not enough. It must be consumed. And a core audience must be built. This nonprofit's journalism must connect with readers in various ways to showcase its offerings and relevance to their lives.

According to this project's audience research, we know: our potential audience is increasingly digital, and heavily mobile; that audience is civically engaged; they are likely to be directly or nearly linked to government; and they are likely educated, affluent and influential in their community. By exploiting this information, we can use events, social media, email, audiences of other publications and existing civic networks to tap a potential audience base. These efforts will attract readers who are eager for thorough, fresh, consistent journalism about issues facing Ohioans. This engagement offers audiences a new product, a different approach to state political reporting. It also creates a core audience that can be monetized.

Offer Ohioans insight into how government functions and more means to monitor elected leaders.

This startup offers an opportunity to do more than create new journalism. It can become a clearinghouse of Ohio's political information. Massive amounts of state data — campaign finance, ethics, government spending, politician history records and more — are public record. Making this information easily accessible to the public should be an early goal of this startup. It will make Ohio government more transparent and add evergreen value to the startup's website. Further, it will help convince donors, foundations and sponsors of the nonprofit's value.

Deliver digital content: social media, events, partnerships with news organizations, data content and multimedia packages.

To reiterate an earlier point, this nonprofit must embrace digital forms of storytelling. Audiences now expect mobile presentation and fast load times. (Pew Research Center, 2015a) They expect presentation that conveys the main idea in a second or can be read extensively on a phone. To be successful, this nonprofit must embrace digital and mobile. And it must quickly track how news consumption is changing.

Business Model

The business model is built from five main revenue streams. An explanation of each revenue stream is below, along with a plan for its launch and growth. They are in order from revenue streams that will be larger at launch to streams that will cover a larger percentage of operating costs a few years post-launch.

In sum, this nonprofit will launch based on philanthropic support. Because the project is nonprofit and because there is no product that can be presented to the public before launch, drawing widespread financial support *before launch* is not viable. Venture capital is not feasible because this project has no financial ROI. Large donors and foundations must launch this project. Memberships, events and sponsorships will sustain it.

Large donor or two

Many of America's news nonprofits share a common launch story: a wealthy donor or two provided the main initial investment. In Wyoming, Vermont, California,

Texas, Minnesota and other states with state-focused news nonprofits, each key startup investment came from one or a couple people. It is not impossible to launch this startup in Ohio without similar support, but it makes things far more difficult. A large donor (for this project, someone contributing at least \$500,000) provides runway to allow the newsroom to focus on proof-of-concept. That contribution also connects the nonprofit with wealthy donors who will take the project seriously given the support of their peer.

In Ohio, one name jumps to mind: **John F. Wolfe**. The net worth of the former publisher and owner of *The Columbus Dispatch* is not known. His Dispatch Printing Company, which still owns multiple television and radio stations, is privately held. But Wolfe took in \$47 million from the sale of the *Dispatch* in 2015. (Knox, 2015) In early 2016, Wolfe pledged \$5 million to Ohio State University, the latest in a long line of philanthropic contributions, through his family's foundation. (Knox, 2016) Despite assets of nearly \$80 million, Wolfe's foundation spent less than \$3 million in 2014. (Guidestar, 2015) Wolfe fits several criteria of a possible funder: he is wealthy, has a lifelong commitment to journalism, makes large philanthropic contributions and is no longer involved with the *Dispatch*, which he may view as a competitor of this nonprofit.

Wolfe is not the only wealthy Ohioan who should be given the chance to consider this idea. A list of other potential large donors is below. It should be noted this list is not all encompassing. That would be impossible. It is an attempt to demonstrate the scale of philanthropic wealth in central Ohio.

Leslie Wexner: chairman and CEO of L Brands valued at more than \$3 billion; longtime supporter of Ohio State and other central Ohio projects. The **Wexner Family Charitable Fund** dispersed **\$34 million** in 2013. (ProPublica, Limited Brands Foundation, n.d.)

E.W. Scripps Family: the wealth of the grandchildren and other family descendants of the newspaper magnate were collectively valued at **\$7.5 billion** in 2014. (Dayton Business Journal, 2014)

Jay Schottenstein: CEO of Retail Ventures, a holding company that controls or has substantial stakes in DSW, American Eagle Outfitters and Value City Furniture; the Schottenstein Center at Ohio State is a marquee example of the family's central Ohio contributions. The **Jay and Jean Schottenstein Foundation** disbursed more than **\$10 million** in 2013. (ProPublica, Jay and Jean Schottenstein Foundation, n.d.)

John P. McConnell: the CEO and son of John H. McConnell, founder of Worthington Industries. The **McConnell Educational Foundation** reported assets of nearly **\$39 million** in 2013. (ProPublica, McConnell Educational Foundation, n.d.)

Foundation support

In addition to substantial private wealth, there are a number of medium-to-large foundations in Ohio that could easily provide substantial startup investment for this project. While many of America's large endowments and foundations are concentrated in Ivy League institutions and large coastal cities, Ohio's wealth is great. But tapping that wealth is not easy. Most of these foundations have specific civic missions, like education or the arts. On their face, their giving targets do not mesh with this startup. Contributing money to support journalism — other than to public media — is a relatively new concept, spurred largely by the nationwide increase in news nonprofits since the start of the recession.

In Ohio, a state without a significant nonprofit newsroom, this requires educating the philanthropic community about contributing to journalism and the benefits of doing so. These foundations must be shown public affairs journalism is a social good, along with parks or after-school programs. Once they are convinced of the journalism's value, they must be convinced of this model's approach. Foundations are results-driven, a key reason this startup must measure its success. Examples of the impact from state-focused

nonprofits in other states must be presented to convince foundations of the need. The business model must be clearly explained, along with a detailed plan to lead the startup to financial sustainability. After launch, the journalism's impact on the audience it engages must be documented to justify further funding. To this point, all possible metrics of impact must be tracked: How many Ohioans have we connected with? Who are they? Where do they live? Did our reporting drive them to action in some way? What lasting impact did an event or focused story have on a community it touched?

Below are a list of Ohio and national foundations that could be targeted to support this project. Again, it is not all-inclusive, but it is a sample of Ohio's substantial wealth and a group of possible fundraising targets. Further, it presents brief ideas for how this startup's mission will have to be pitched to these organizations. Foundations are not usually the main startup-funding source for news nonprofits. But a combination of local / regional and national foundation support can become a critical part of initial investment. And foundations have routinely invested in nonprofits that demonstrate success. These grants are often aimed at pushing the nonprofit closer to sustainability.

The Columbus Foundation: A large community foundation that also manages other substantial central Ohio foundations, including Wolfe's. The Columbus Foundation is focused on civic and lifestyle projects in the Columbus area. In 2012, the foundation granted **\$78 million**. (ProPublica, The Columbus Foundation, n.d.)

L Brands Foundation: The foundation associated with Wexner's L Brands corporation. Wexner recently used this foundation to give Ohio State University \$100 million for a new medical center. It is committed to supporting projects in the Columbus area. In 2015, the foundation granted more than **\$29 million**. (L Brands Foundation, n.d.)

Nationwide Foundation: The charitable wing of one of Ohio's largest corporations. A key test of this project's viability will come with this foundation, which boasts a goal of partnering with groups that "provide life's necessities" and "contribute to the overall quality of life in a community." Tailoring this startup's mission to those attributes is simultaneously unusual and achievable. In 2013, the foundation granted more than **\$26 million**.

Other Ohio community foundations

Similar to any pitch to The Columbus Foundation, these groups will have to be convinced the news nonprofit model is beneficial to their communities and the state.

The Cleveland Foundation: gave out **\$43 million** in contributions on \$1.8 billion in assets in 2013. (ProPublica, Cleveland Foundation, n.d.)

The Greater Cincinnati Foundation: gave out **\$75 million** in contributions on \$512 million in assets in 2013. (ProPublica, Greater Cincinnati Foundation, n.d.)

The Dayton Foundation: gave out **\$33 million** in contributions on \$296 million in assets in 2013. (ProPublica, Dayton Foundation, n.d.)

Other Ohio foundations

Neither of these foundations are based in central Ohio. But one is journalism focused, while the other has been a long-time supporter of education and human services projects in the state.

Scripps Howard Foundation: A majority of the foundation's money is focused on support for journalism initiatives. It also has a strong relationship with Ohio University's journalism program and college. In 2013, the foundation disbursed more than **\$6.3 million**. (ProPublica, Scripps Howard Foundation, n.d.)

The George Gund Foundation: With a mission focused on improving communities through major gifts, the Gund foundation gave more nearly **\$25 million** in 2013. (ProPublica, George Gund Foundation, n.d.)

National foundations

There are a number of national funders in the nonprofit journalism space, but two foundations stand apart from the rest for their focus in this area. The John S. and James L. Knight Foundation and the Ethics and Excellence in Journalism Foundation have provided critical, early support to many news nonprofits.

Knight Foundation: With a national focus on supporting journalism, the Knight Foundation is a logical target for an infusion of cash at some point. In 2013, Knight

disbursed more than **\$130 million** in charitable contributions. (ProPublica, Knight Foundation, n.d.)

Ethics and Excellence in Journalism: EEJF has invested substantially in nonprofit journalism in the past several years, supporting organizations across the country. In 2013, the foundation granted more than **\$3.75 million**. (ProPublica, Ethics and Excellence in Journalism, n.d.)

Sponsorships

Think of sponsorships as the non-profit form of advertising. Non-profits cannot sell traditional “advertising,” a normal revenue stream for media outlets. Sponsorships offer a way for companies and other groups to do two things: connect with a news nonprofit’s specific audience and align their brand with the nonprofit’s mission. Sponsorships can appear on the website or in an email newsletter. They can also support events. Like advertisers at a newspaper, sponsors are given no control over journalistic content. Their contribution is charitable and in return, they receive proportional promotion of their brand. For some organizations, that can be valuable. As other state-focused news nonprofits have demonstrated, their audience is typically active in the community, affluent and educated. That demographic is key for some companies. Engaging and retaining a substantial, targeted audience will open doors to various sponsorship opportunities that can quickly become substantial revenue generators.

Event revenue

The nonprofit news sector has led the way in this area. As a new tool to engage audiences and add journalistic value, events have become a key part of the brand and bottom line for some news nonprofits. (The Texas Tribune, n.d.) They offer a way to develop relationships with readers, present visible sponsorship opportunities and generate ticket revenue. Becoming the key provider of events to discuss politics and policy issues

affecting Ohioans corners a substantial, untapped market. Other news nonprofits have shown communities are willing to attend — and pay — for the opportunity to engage with elected officials, community leaders, influencers and others. Proximity to power can attract citizens interested in the political process. Events can be singular audience engagement opportunities with a direct revenue motive. Journalists at nonprofits often grab coffee with readers at a set location at a certain time. This simple gesture demonstrates a commitment to understanding the pulse of the audience that values the journalism. This helps the brand and ultimately, can pay off.

Monetized audience

Small donors. Memberships. Loyal readers. Whatever you call them, the people who pay relatively small amounts of money (\$5,000 or less, often much less, annually) to support this nonprofit's journalism will eventually become its main revenue stream. This is not possible before launch. Audiences want to see value and impact. They need to see this nonprofit's journalism is critical — so critical they must support it financially. But their contributions do not need to be large. In the Audience Summary and Audience Research documents, a plan to monetize about 2,000 Ohioans yields more than \$400,000 in revenue. With the dearth of current state political journalism in Ohio, that number is achievable, and that revenue stream will only grow as this nonprofit engages more Ohioans and produces impactful journalism.

This demonstrates why audience engagement is the key to this startup. Research shows audiences are willing to pay to support services they are highly engaged with. (Zalmanson & Oestreicher-Singer, 2016) Public media has been doing this for decades. News nonprofits like The Texas Tribune, MinnPost and Voice of San Diego have paved

new paths for membership models. To become financially sustainable, this project must pivot from large donors and foundations to a set of diversified revenue streams founded on a core group of readers. In sum, information → engagement → retention → revenue.

Year One Revenue Generation Goals

These revenue streams, especially the last three, are living enterprises. They succeed by how well they are developed, implemented and managed. Below are examples from other news nonprofits that could be tried in Ohio. This is not meant to detail *every* activity of the nonprofit its first year. Instead, it is a snapshot of ideas to earn revenue immediately after launch.

Holding for-profit events

First, it is important to think of all events as a form of journalism central to the startup's mission. "We will use in-person events to increase the civic engagement and awareness of Ohioans from all backgrounds" is a logical mission statement for these.

One example was an event free to the public and held at Baylor University by The Texas Tribune. (The Texas Tribune, 2015) It featured state politicians and university leaders. Various corporate and nonprofit underwriters committed to furthering the conversation around higher education in Texas. This could work in Ohio because the state has 14 public universities and numerous community colleges. The higher education community is full of potential audience members. Another example is an event about the future of Buffalo, NY put on by InvestigativePost. (InvestigativePost, 2015) This outlet, in Buffalo, asked for \$10 per attendee (unless they're committed supporters of the organization) to help cover costs. It also had six sponsors. While admittedly smaller-scale, this town-hall style discussion could be replicated in Ohio.

The Voice of San Diego holds town-hall style events with candidates and others to give the public opportunities to question newsmakers. They draw sponsors for this noble enterprise, and generate news. At a politics-focused event, the organization asked a gubernatorial candidate about poverty in California. Then they fact-checked his answer and got a story out of it. (Voice of San Diego, 2014) Not everything has to make a lot of money. In New Orleans, reporters at The Lens regularly take over a bar (often with local newsmakers) and invite the public to engage with them. (The Lens, 2015) This increases audience engagement and reader loyalty. With a sponsor, it could generate revenue.

Setting membership goals, and rewarding members

Think of National Public Radio. Many of these nonprofits are pursuing models where an amount of money donated equals a certain return on investment (explain these terms!). It could start with a t-shirt and go all the way to free tickets to three events that year. Treating people like equals in a civic dialogue as opposed to subscribers who feel like they're getting little from the product (beyond news they can often find anywhere) is far more beneficial for the nonprofit. It gets people engaged and increases the likelihood they'll donate or donate again.

Selling projects to Ohio news outlets

Many nonprofits sell substantial stories and given the number of small-to-medium sized newspapers in Ohio, this model could be key here. One example: The New England Center for Investigative Reporting (based at Boston University and partnered with WGBH) produces a story that can be localized in Massachusetts once a month. They sell that story, often with a dataset or other common link, to publications around the state for a small fee that added together, makes the project worthwhile.

Content produced by this nonprofit should be free to access or reprint. Anything else would run contrary to a mission of civic engagement. But we have room to try something like what they're doing in New England. Because we know data will be a big component of what we do, we could request an unusual dataset from the state, clean it up and sell it cheaply to publications around the state. (ProPublica does that all the time.) We could also go all the way and write a statewide story with an "option to localize" that costs \$200 for Mansfield and \$1,000 for the Dispatch. Those numbers are made up, but this is a logical opportunity to partner with the Ohio Newspaper Association.

Sponsorships as positive branding opportunities

A number of these nonprofits have found success getting cash or in-kind donations from corporations that want to see their brand aligned with the accountability mission of the nonprofit. A properly branded nonprofit can make compelling appeals to companies. Finding companies that want to support enterprising reporting on Ohio's politicians will also just as important as cultivating foundations, members and networks of large-scale donors. This means doing substantial outreach to familiarize Ohio companies with the brand and mission. This will never pay all the bills, but it can generate substantial revenue if corporations promote their brands on the website, via social channels and during our events. Again, to be simple, think NPR.

Selling a niche audience

Because of the research done by similarly-focused news nonprofits, we have a sense of what audience will engage with this journalism, and we know that audience is one many advertisers seek to reach. Connecting sponsoring companies with readers

through all channels will be important. Advertisers must know this audience can be reached through this unique medium.

Creative fundraising with wealthy Ohioans

Just as critical as bringing in large sums from foundations and individuals will be tapping Ohio's network of the rich and charitable. This requires holding fundraisers for the nonprofit and working to raise donations of \$5,000 and above year-round. In Minnesota, the MinnPost holds an annual MinnRoast with local politicians and influencers. It turns out a number of substantial, local wealthy individuals who pay large amounts to sponsor the event. (MinnPost, n.d.) A good development director will focus on creating a network of dozens or hundreds of wealthy Ohioans who can become *premium* members/subscribers with higher levels of support. Effectively tapping this network can generate substantial and more-consistent giving than single large gifts.

Summary

Most investors will not want to read a several page summation of revenue streams. To simplify it, the plan is below.

Prior to launch: Convince wealthy Ohioans, initially one or two, and several foundations to put substantial investment behind this nonprofit prior to launch. Build on their credibility to raise further money to reach a minimum financial runway of \$1.5 million.

First year after launch: Closely track impact and engagement to justify past contributions and ask for gifts from other individuals / foundations. Immediately focus on building an audience of civically engaged Ohioans who will be interested in this

nonprofit's journalism. Begin building sponsor relationships and build framework for events, before launching them.

Second year after launch: Assuming the initial runway of \$1.5 million lasts about 18 months, this year should begin yielding substantial earned revenue: small donor contributions; events; sponsorships. Focus heavily on engaging and retaining audience members with the goal of making them recurring small-dollar donors. Expand event offerings with a focus on revenue-generating events (through ticket sales and sponsorships). About 50 percent of initial operating expenses would be covered by earned revenue by this point.

Third year after launch: By this point, more than half of operating expenses should be covered by earned revenue. This target is aggressive but within reach. Revisit initial large donor and foundation funders; detail successes and explore the possibility of another gift for a specific project or overall growth. Explore how to further grow the membership program.

Team

The minimum viable product calls for six full-time newsroom staff and five full-time business staff. Their breakdown is as follows.

Newsroom

Editor — The newsroom leader and a co-founder of the organization, this individual will lead all facets of the editorial operation and is responsible for the newsroom's journalistic content. Most importantly, this person will be keenly involved with setting the vision for the organization and ensuring the creation of content that fits

firmly with the nonprofit's mission. This job will likely entail meeting with prospective donors. Salary: \$95,000

Reporters — Three reporters are needed to ensure content can be produced regularly from the start. While daily content generation may be challenging at first, a balance between contextualized, analytical reporting and a daily presence must be struck. One reporter will be considered senior and have a higher salary. One reporter must be skilled with data. Salaries per reporter: \$70,000 for one, \$60,000 for two

Director of Audience Engagement — This person will oversee efforts to find and engage audiences, especially right after launch. As a whole, the newsroom will be focused on growing social media and online followings. This person will focus on finding new audiences through successful strategies utilized by other nonprofits. They will also focus on engaging and retaining those new audiences. This person also works with the newsroom to organize the journalistic side of events. Salary: \$55,000

Fellows — The E.W. Scripps School of Journalism currently runs a Statehouse News Bureau program for journalism students. The program offers students an opportunity to report on state government for a semester in Columbus. This nonprofit should take advantage of this young talent and seek student fellows for the bureau from across the state. Cost for all three: \$20,250

Business Staff

President — In this scenario, it is more important this person understand the plan and the model than have a substantial background in the media industry. This individual is a co-founder and an officer of the organization. Innovation and entrepreneurship will be valued over legacy media business experience. A keen understanding of news

nonprofits and how the model can evolve to financial sustainability is most important.

Salary: \$40,000

Director of Advancement — A critical position, this person's success or failure will substantially impact the operation. In the startup and early phases of the nonprofit, attracting venture philanthropy investments is critical to success. This person must have deep roots in the Ohio philanthropy world and know how to navigate foundations with ease. Further, connections inside and outside the state would be crucial to seeing the project succeed. Salary: \$90,000

Sales Manager — This person is responsible for finding potential sponsors, developing events and pursuing monetization of the audience engagement model. As the organization grows, so will this position's staff. But at launch, this department can have one position, as seed efforts to develop earned revenue will grow slowly. Over time, as earned revenue streams grow, the organization will scale to pursue more sponsorship, event and audience revenue opportunities. Salary: \$70,000

Membership Manager — To pursue an aggressive audience monetization strategy, this nonprofit must have an employee who focuses on growing member revenue from launch. This person will work closely with the newsroom to see where engagement and retention of audience are highest. From there, they will begin to pursue the monetization strategy by fostering continued engagement and eventually asking readers for financial contributions. Salary: \$70,000

Audience Metrics Manager — A critical measure of this nonprofit's success and viability will be how impactful its journalism is in the communities it targets. This person will be responsible for tracking impact and engagement. Based on those metrics, the

organization will adjust its audience engagement and retention strategies. Results will also play heavily into pitches to potential funders. This person supports efforts made by the Director of Audience Engagement and the business staff. Salary: \$60,000

Total Expenses

All salaries combined equal \$695,250 in personnel expenses. Another 25 percent (\$173,750) is budgeted for employee benefits. Another \$150,000 is budgeted for startup expenses, including website development, gaining nonprofit status, office space and furnishings, social media campaigns and other costs. This brings total costs to \$845,250.

Financials

I have put together one- and two-year revenue projections for this nonprofit. These are based on as much industry data and knowledge I could tap. With that said, this has not been tried in Ohio before. Therefore, it could be easier to draw revenues in some areas and harder to draw them in others. Market research suggests there is a large audience for this nonprofit's content and mission, but we will not know that for sure until the startup has launched and begins seeing who engages with its content. Given this reality, even more important than meeting these targets is having an ability to be flexible and come up with new strategies to diversify revenue streams. The goal will always be the same: as fast as possible, move away from large philanthropic contributions as the primary funding source. But how that revenue diversification happens may be very different than how it occurred in other states. Note: statements about other nonprofit revenues are drawn from their tax forms filed with the Internal Revenue Service.

Year One**Small donors (audience): \$110,625.**

This is one-quarter of the projected two-year revenue from audience members giving \$5,000 or less a year. In other words, this number reflects 500 people giving at the level 2,000 will by the end of year two. This number is much less than what The Texas Tribune generated within its first year of launch. (ProPublica, Texas Tribune, 2010) Other nonprofits, like the MinnPost and VTDigger, reported little-to-no membership revenue their first year. (ProPublica, MinnPost, n.d.; ProPublica, VTDigger, n.d.) It was not yet a priority.

Sponsorships: \$26,000

Research from other nonprofits shows this revenue stream starts small. Advertisers and companies want to support a proven product — even more reason to launch with an MVP that gets results — before committing to aligning their brand with this nonprofit’s mission. This number reflects a goal of selling \$500 in sponsorships per week. That revenue comes from various sources. Some sponsors will receive traditional advertising sold on a per-impression basis on the homepage, in videos and in stories. Other sponsors will buy display advertisements for a fixed period of time that are related to an event, project or general support of the nonprofit. Social media and email newsletters present an opportunity to connect sponsors with this nonprofit’s engaged audience segment, connecting companies with a group of Ohioans that have disposable income and access to mid- to high-end brands.

Events: \$20,000

The first year offers an opportunity to experiment with events without moving too quickly. This number is based on holding four events and generating an average of \$5,000 per event: \$2,000 in ticket sales and \$3,000 in sponsorships. For other nonprofits, events have become large percentages of their revenue portfolio, generating hundreds-of-thousand-of-dollars annually. Initially, the goal should be to establish this nonprofit as the first in Ohio to consistently hold events that are both journalism and community engagement opportunities. From there, initial success can be grown into a revenue stream that will attract major sponsors and audiences around the state.

Large donors and foundations: \$375,000

This focuses on re-pitching the organization to donors and individuals who said no in the startup phase. By showcasing the impact and presence of the running startup, these groups and people may be more likely to provide financial support. This year also begins outreach to more national funders with a history of supporting journalism nonprofits. Those groups, some of which may be helpful in the startup phase, are more apt to fund existing projects and ones with local support. In turn, those national groups have pumped millions into nonprofit projects all over the country. This number is a quarter of the project's \$1.5 million minimum startup amount.

Percent of initial expenses covered by earned revenue: 15.4 percent

Year Two

Small donors (audience): \$442,500

By this point, small donors have become an essential part of the revenue portfolio. This number comes from monetizing 2,000 Ohioans at various levels. This target is

aggressive but can be reached more quickly than other news nonprofits if it is the focus from launch.

Sponsorships: \$52,000

By year two, sponsorships will have grown by developing relationships with companies that are coming to see this nonprofit's journalism as important to the state — and important to align their brands with. This projects doubling of sponsorship sales to an average of \$1,000 per week.

Events: \$40,000

As with sponsorships, the goal is to double event revenue by holding seven events instead of four, with the seventh focused on attracting a substantially larger and more diverse following than the others. It should be noted these are only the *for-profit* events. Events like panels open to the public or coffee with an editor are not included.

Large donors and foundations: \$375,000

Again, this represents one quarter of the initial startup amount. By year two, the nonprofit will be targeting foundations and large donors for money to fund specific projects and initiatives, like enhancing the membership model or funding a specific beat. This follows the lead of other nonprofits that shifted funding of their operating expenses to earned revenue and special endeavors to foundations and one-time gifts, moving the organization closer to sustainability.

Percent of initial expenses covered by earned revenue: 52.7 percent

Minimum Close

In the business world, the “minimum close” is the lowest amount of money that must be raised for the project to launch. For this project, the minimum close is \$1.5 million. That number would fund the startup between 18 and 24 months from launch with no additional revenue. This guarantees enough time to produce impactful journalism and prove the concept. Further, it allows time to focus on audience growth and engagement to begin proving the membership revenue model. Several news nonprofit leaders were wary of launching in a small, piecemeal way. They advised such an approach would not attract the substantial following needed to move toward a membership-funding model.

Reviving statehouse reporting: A startup plan for an Ohio news nonprofit focused on government accountability journalism and audience engagement.

Audience Research

Will Drabold
2015-16 Professional Project in Journalism
Honors Tutorial College

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Introduction

We must begin with a fact: this work is uncommon. Audience research and reader surveys are not top priorities for entities that work to make every cent count. In the words of Lisa Williams, head of audience engagement for the Institute for Nonprofit news through December 2015, “Most (nonprofits) do very little or no market research before launch. It would be a huge improvement if this was a more widespread practice.” To that point, the lack of research from industry peers makes it difficult to know exactly who consumes the content produced by nonprofits with a governmental focus. Many of them say their audience is the “civically engaged.” But that is a broad generalization. Who are the civically engaged? How can they be defined? How can they be reached? This research identifies this nonprofit’s potential audience. The findings are not perfect, but offer an overview of a segment of Ohioans who might connect to watchdog, state-government coverage. It draws from recent audience surveys conducted by news nonprofits in Vermont, Minnesota, San Diego and Texas. Further, this research identifies market segments, and the people within those segments, that could be targeted by the nonprofit. Finally, it suggests possible revenue streams drawn from effective engagement and cultivation of this audience.

How other nonprofits have identified their audience

Note: *This section is based on research conducted by operating news nonprofits. Some shared their audience research under the condition it not be made public. Therefore, this section is not for public consumption. On OhioLink, this section should be redacted and should not be shared beyond those immediately involved with this project and those reading it out of academic necessity. Special thanks to: Anne Galloway (VTDigger), Andrew Wallmeyer (MinnPost), Tim Griggs (Texas Tribune) and Mary Brown (Voice of San Diego.)*

Before we can define a potential audience in Ohio, we must understand how other news nonprofits have defined their audiences. Research is scant. But what exists, specifically from politics- and civics-focused nonprofits, is instructive for this project. This section will break down audience research from five nonprofits, in order from the most-to-least detailed. It will then highlight common threads between how audiences consume news at these outlets.

We begin with VTDigger. Launched in 2010, VTDigger is Vermont’s statehouse watchdog, aiming to publish “watchdog reports on state government, politics, consumer affairs, business and public policy” six days a week (VTDigger, n.d.). The website now has 140,000 unique visitors each month — a nearly 100 percent increase in two years — and has publicly shared the results of its 2015 audience survey (VTDigger, 2015). The survey had several key takeaways:

- 97 percent of readers vote in every election.
- 73 percent read *VTDigger* daily.
- 57 percent do not subscribe to a daily newspaper.
- More than half are independent.
- 74 percent of readers were between 45 and 74 years old.
- 86 percent had a college degree or higher.

- **Civic engagement:** nearly half of readers did “community service,” more than 40 percent were on the board of a nonprofit; and about a third were active in social clubs or political groups.
- More than half of readers heard about VTDigger via word of mouth.

Vermont is not Ohio. Politically, the state is notoriously independent — see Bernie Sanders. It also has only 620,000 residents (United States Census Bureau, Vermont, n.d.). It is 95 percent white with a higher than average median household income and lower than average poverty rate (United States Census Bureau, Vermont, n.d.). Nonetheless, given VTDigger’s dogged pursuit of politics stories and statewide coverage, the results of the survey are still important.

Next, there is MinnPost. In Minnesota, a state far more akin to Ohio than Vermont, this outlet also has a focus on statewide issues. The nonprofit not only focuses on politics, but also has beats related to the environment, health, arts and education as well as a focus on diverse opinion content. MinnPost’s most recent audience research is from 2014. An especially helpful feature of their research was they defined a “core audience” of people who visit the nonprofit at least “several times a month.” The survey’s key findings were the following;

- 97 percent of readers visit *MinnPost* “several times a month;” more than half visit daily.
- 37 percent of the “core audience” made \$50,000 - \$100,000; 42 percent made over \$100,000.
- 48 percent of the core have post-graduate education.
- 62 percent of *MinnPost*’s total visitors were 25-54 years old; core audience members were 61 percent 55 or older.
- 74 percent of readers were from the Minneapolis-St. Paul metropolitan area.
- **Civic engagement:** 94 percent were registered to vote (Minnesota average was 76 percent); more than 80 percent visited arts events or establishments, community events and/or parks; 70 percent were involved with volunteer or charitable organizations.

Also of interest, 42 percent of readers said they were “actively involved” with a political party. Overall, MinnPost readers shared similarities with VTDigger readers. They were typically older, more highly educated, had higher incomes and showed substantial engagement in their communities.

Though different from the previous three outlets because of its geographic focus, the Voice of San Diego — one of the country’s first and most successful online news nonprofits — offers more interesting insight into who reads nonprofit politics- and civics-focused news. The website launched in 2005 and 10 years later, claims to have “built a sustainable business model based on the support of individual members, sponsors and the investment of local and national foundations” (United States Census Bureau, San Diego County, n.d.). San Diego County is more diverse than Ohio, but offers some surprising parallels. It is 76 percent white with more than 3.2 million residents (United States Census Bureau, San Diego County, n.d.). While nearly three times larger than Franklin County in population, San Diego County is actually less diverse than the home to Columbus and Ohio’s state government (United States Census Bureau, San Diego County, n.d.; United States Census Bureau, Franklin County, n.d.). Census data shows each county has a median income higher than the state average and a similar rate of residents with bachelor's degrees. To be sure, San Diego has more wealthy citizens, more expensive homes, higher retail sales and more businesses than Columbus. San Diego is also substantially Hispanic, while Columbus is substantially black. But similarities between the two cities — and the missions of the Voice of San Diego and the proposed Ohio nonprofit — warrant an analysis of people who read San Diego’s news nonprofit.

According to a summary of audience research from the Publisher of VOSD, the audience is:

- 40 years old or older.
- primarily white.
- affluent.
- college educated.
- **Civic engagement:** largely employed by the public or nonprofit sectors.

Given the fact this is a summary of larger survey data, it is difficult to glean as much information from the findings. But trends continue to emerge. Similar to VTDigger and MinnPost readers, VOSD readers are older, wealthier and more highly educated. They also have disproportionately high engagement in the public and nonprofit world, another link to VTDigger and MinnPost readers.

Finally, we turn to The Texas Tribune, the largest state-focused news nonprofit in the country. The Tribune launched in 2009 and since then, has built itself into a formidable news organization on any measure. Its budget was \$6 million in 2014 and it has more than 50 employees (The Texas Tribune, 990, 2014). It has the largest statehouse news bureau in the country (Pew Research Center, 2014a). And it covers politics in America's second-largest state, with more than 27 million residents and nearly as many white as Hispanic residents (United States Census Bureau, Texas, n.d.). Austin, Texas' capital, is similar in size and demographic makeup to Columbus (United States Census Bureau, Travis County, n.d.). Tim Griggs, the Tribune's publisher, said in the last two years, the organization has done substantial research about its audience (Griggs, Interview). Before 2015, "like most news organizations, (the Tribune) didn't have a sense of audience in terms of who was reading or experiencing it," Griggs said. To draw directly from that research, a likely Tribune user:

- Is adult.
- Lives in Texas.
- Is a daily digital news consumer.
- Seeks state news.
- Follows one or more of the policy subjects we cover.
- Has a college degree.
- Follows state politics.
- Has a personal and professional interest in understanding policy issues.
- Reads local newspapers.
- Has voted in the last two years.
- Is interested in the Tribune concept.

Through that research, the Tribune found about 400,000 Texans looked like their current users in 2015. That does not mean all of those people, who Griggs called “insiders,” currently engage with the Tribune. But they represent the easiest growth opportunity. And while the Tribune offers more detail on its audience than other nonprofits, similarities between outlets continue to emerge.

Summary

The trends found between these outlets are informative. Even more importantly, their diversity makes the similarities between audience members comparable. While none of these nonprofits share the same demographics, they all have similarities in who consumes their content. According to this research, a news nonprofit with a politics, policy and civics focus should target a readership that is wealthier, older, more educated and more engaged in the community than the average resident. Readers are also likely constant news consumers who show a level of digital skill. They may be more likely to prefer public radio / TV. It is not that younger readers are disinterested in the content of these outlets, but for now, they seem less likely to consistently engage with it or donate to support it. One trend seems to defy stereotypes: a slice of the demographic that had decades to develop a habit of reading print newspapers has pivoted to “news junkie”

levels of consumption of digital news from these nonprofits. And the common theme is that these readers are civically engaged through philanthropic contributions. For example, the runaway top reason MinnPost readers *did not* donate to the website was because “other charitable commitments have a higher priority.” Other common themes: involvement with community and social groups, voting, volunteering, use of public arts or recreational establishments and other indicators of civic involvement. This suggests a digital nonprofit focused on accountability, explanatory coverage of Ohio state government must target and retain an audience of influencers, decision makers and engaged citizens in the nation’s swing state.

Note on audience research

The datasets analyzed from these four nonprofits are not identical, which makes comparing them difficult. It is not possible to draw precise conclusions about a reader of the MinnPost vs. Voice of San Diego. However, the audience research does point to several common characteristics, highlighted in the next section, of a civically engaged potential audience member. The data is not perfect. But it would be a mistake to ignore the signals it sends.

A broad look at Ohio

Ohio is a demographic melting pot, long recognized as representative of the country at-large. This contributes to its purple politics and its key role as a swing state. To be successful, a new Ohio news organization focused on statewide politics must engage a diverse audience. While potential readers will likely be concentrated in civically engaged urban areas, that does not restrict the reach of this nonprofit. The editorial focus may be narrow. This startup must build a coalition of audience members to become relevant and remain financially solvent. Identification of this audience begins with an analysis of Ohio's demographics and how those match national trends of news consumption.

In 2014, more than 11 million people lived in Ohio. Slightly more than (83 percent) than the national average while slightly less (12.6 percent) were African-American (United States Census Bureau, Ohio, n.d.). The median household income was \$48,000 across more than 4.5 million households (United States Census Bureau, Ohio, n.d.). These numbers are interesting on their face, suggesting a massive potential audience, but they need to be heavily distilled in order to find a potential audience for this nonprofit in Ohio.

Annually, the Pew Research Center releases a national "State of the Media" report. One component of that is an audience section, with a heavy focus on who reads newspapers. For years, that research has shown declines in newspaper readership. But the latest data still shows a substantial portion of the population consume newspaper journalism, especially in higher income brackets. In 2014, 35 percent of people who

made at least \$100,000 read newspapers daily (Pew Research Center, 2014c). For this component of the research, we will analyze Pew's findings on news readership — especially of digital news consumption — and compare them to Ohio's demographics. We will also examine audience databases with Ohio-specific information.

First, we will build a demographic profile of a macro-audience based on Pew data. It is based heavily on research about those who read newspapers daily, which suggests the highest-level of news engagement. In 2015, Pew found daily newspaper readership scaled from the top of the income bracket to the bottom. Between 35 and 38 percent of those who made \$100,000 or more annually read newspapers daily, with engagement slightly higher among those who made \$150,000 or more (Pew Research Center, 2014e). Similarly, those with graduate-level education were most likely to read newspapers daily, between 39 and 42 percent, followed by 34 percent of those with an undergraduate degrees (Pew Research Center, 2014d). But of those who read newspapers, more than half did so in print (Pew Research Center, 2014b). Only 18 percent of readers accessed newspapers *only* on their computer or phone. With that said, we know how important mobile has become for news publishers, specifically newspapers. News websites are increasingly drawing a majority of their visitors from mobile (Pew Research Center, 2015b). Yet newspaper audience demographics have largely stayed the same: higher income, more highly educated and white.

It is important to note an accepted academic fact about newspapers: they are key to civic engagement. Defining who is “civically engaged” is key to finding a nonprofit's audience. Research has drawn this link for years, with a myriad of studies that say collective audience engagement with a newspaper's coverage leads to “civic engagement,

community attachment and relevant political outcomes” (Shaker, 2014). New research found *decreases* in civic engagement and *increases* in negative political outcomes following the closure of newspapers (Schulhofer-Wohl & Garrido, 2013). When the *Cincinnati Post* closed in 2007, “fewer candidates ran for municipal office in the suburbs most reliant on the Post, incumbents became more likely to win re-election, and voter turnout fell” (Schulhofer-Wohl & Garrido, 2013, p. 60). That research, published in 2013, focused on Northern Kentucky counties. There, the *Post* also printed *The Kentucky Post* as the newspaper of record for several cities and counties. To fill the void of *no news publication* in all of Northern Kentucky — an area with more than 400,000 residents and part of the Cincinnati metropolitan area — the NKyTribune launched in 2013. While it is digital-only, the NKyTribune labels itself “Northern Kentucky’s newspaper.” It is supported through grants, sponsorships and donations. It rose directly out of the demand for a publication in an area with a large population and no major news publication.

The classic newspaper reader will not necessarily read niche state political news from an online-only nonprofit. But the overlap between this legacy media reader and a digital nonprofit news consumer is striking. (This is supported by research from other nonprofits that was discussed in the previous section.) This is only the first part of defining the Ohio audience. We must now use available market data to determine who fits these parameters and is “civically engaged.” Based on the audience research from other nonprofits, we will assume several things about a potential audience member in Ohio. S/he is more likely to:

- be registered to vote.
- be college educated.
- be at least 40 years old.
- have an income substantially above the Ohio median.

- work in the nonprofit or public sectors.
- be an avid consumer of digital-news.
- volunteer, participate in local civic groups or participate in political activities.
- give to philanthropic causes, particularly art and civic groups.
- visit parks, museums and other cultural establishments in the community.

These are not mutually exclusive, and readers will not fall into all of these categories. For example, a woman on the board of a Cleveland-area nonprofit that is focused on education issues, has a college degree, is registered to vote and consumes news mainly on their phone sounds like a prime audience member — except for the fact she is 27-years-old. But she may fit into enough other target categories that she would find this nonprofit’s news engaging anyway, even though surveys would also suggest she is not likely to donate to support the nonprofit’s content.

Using SimplyMap, a tool that visualizes demographic and psychographic market data, we can create a picture of an Ohio news nonprofit’s potential statewide audience. SimplyMap is fed with a variety of data, including Nielsen PRIZM market segments, census data and other databases. The key data points for this research came from the Simmons Local survey, a national study of 25,000 consumers. Population trends and characteristics are extrapolated from those results. The following aggregate psychographic statistics for Ohio are all drawn from Simmons Local survey, census and other databases accessed through SimplyMap:

- 1.14 million Ohioans have a household income of \$100,000 or more, about double the state median income.
- 3.175 million have a college degree. (1.9 million have a Masters or PhD.)
- 43 percent of Ohio’s 11 million residents are 45 years of age or older.
- 90 percent are registered to vote — 12 percent higher than the national average.
- More than 10 percent of Ohioans work for local governments or the state.
- Nearly 10 percent work for non-profits.
- More than 35 percent of Ohioans use the internet to seek news at an above average or far above average rate.
- 29 percent of Ohioans “agree a lot” that they are willing to volunteer their time.

- 66 percent gave to charities in the past year.

All of these groups demonstrate a large potential audience, but have substantial variation within them. Just because two people have a masters degree, for example, does not mean they would be equally interested in this nonprofit's content. Notably, this analysis is skewed toward societal elites because audience research shows they are more likely to engage with this nonprofit's journalism. It must also be noted that some of these groups likely have substantial overlap, a common problem in audience research.

Unfortunately, SimplyMap does not offer an effective way to directly compare this data. Nor does it have data in every category relevant to this analysis. Different rates can be compared across various geographic definitions, but that analysis is questionable because the responses in each area are so small. In sum, this analysis paints a broad picture of Ohioans who may be interested in this nonprofit's content. But to better understand which citizens would be the *most* likely to engage with this startup, we must examine more detailed market data.

Specific target audiences in three Ohio markets

Nielsen Scarborough data is considered the gold standard in market research. The insights the service provides are decidedly "local." More than 200,000 people are surveyed annually across the country. Their answers are extrapolated across designated market areas (DMAs). Those "markets" can be analyzed with hundreds of variables. These projections and survey responses prove invaluable to thousands of American companies that make advertising, product development and purchase decisions based on

market demographics. For this project, the data revealed specific and engaged segments of the population that could be reasonably targeted and engaged by this news nonprofit's content. A focus is placed on this research because it is both an industry standard and well developed. This likely is the narrowest, most well defined method to define an audience prior to launch.

In Ohio, my research targeted the state's three major metropolitan areas: Cleveland / Akron, Columbus and Cincinnati. I used Nielsen Scarborough data in those three markets and that is the source of the following information. In each market, nearly 2,000 people filled out a Nielsen Scarborough survey between mid-2014 and fall-2015. Based on the market research of other news nonprofits and Ohio's demographics previously discussed in this document, I built three groups that fit into the survey parameters Nielsen offers (*with justification in parentheses*):

- **Active Influencer:** household-income of \$100,000 or more (*nonprofit readership increased with income; this is a decidedly high bar at about twice Ohio's median income*) AND gave to cultural, political OR social causes in the last year (*nonprofit readers demonstrated consistent interests in civic philanthropy and contributions to political causes*).
- **Digital Politics News Junkie:** always vote in the local elections (*the most specific of Nielsen voting questions, this suggests the highest engagement in the political process*) AND visited a newspaper OR television news website in the past week (*a frequent user of digital news from news websites*).
- **Engaged Citizen:** volunteer (*nonprofit readers showed a higher-level of interest in volunteering and working for charitable causes*) AND visit museums OR dance performances OR symphony, opera etc. (*nonprofit readers demonstrated an engagement in communities' civic establishments*).

The following percentages and populations are based on projections of all adults who are 18-years or older. This provides a national base of 195.8 million Americans.

Nationally, these three segments were measured at the following rates:

- **Active Influencer:** 16.2 million people. 8.3 percent of the total population.
- **Digital Politics News Junkie:** 25.8 million people. 13.2 percent of the total population.

- **Engaged Citizen:** 18.6 million people. 9.5 percent of the total population.

The estimated population of these three market areas is 6.68 million people. Whittled down further, this is how the numbers stack-up in the three Ohio DMAs (Cincinnati, Columbus and Cleveland):

- **Active Influencer:** 465,739 people. 7 percent of the total population in these three DMAs.
- **Digital Politics News Junkie:** 981,880 people. 14.7 percent of the total population in these three DMAs.
- **Engaged Citizen:** 759,249 people. 11.4 percent of the total population in these three DMAs.

In these three segments, this research projects a total statewide audience of **2.2 million Ohioans** — about 20 percent of the state’s population. These numbers detail a far more defined potential audience. As with the SimplyMap data, there will be overlap between categories. An effort was made to develop three categories that are distinctively different enough to minimize overlap. But overlap is still possible. Further, placement in one segment does not guarantee interest in the nonprofit’s content. These analyses do not include people outside Ohio’s three primary media markets. But these segments are strategically and narrowly defined. The goal was to create three substantial population segments, decreasing any chance of crossover. Further, Nielsen Scarborough offers a massive amount of demographic and psychographic information about each group. This offers far greater insight than SimplyMap’s aggregate findings.

Now, we will look at these three groups in more detail. We will briefly analyze them for notable trends in each market. Then, we will create a statewide overview of the data’s findings. More than half of Ohio’s residents live in these three market areas. This gives us a sizeable, statewide audience. The demographics sampled in these three markets are drawn directly from the likely audience profile developed and detailed in the previous

section. They are across the three target groups to highlight shared traits of potential audience members. Specific breakdowns in the three audience segments come later. Some segments are measured using “indexes,” where 100 is average. If a group indexes at 150, for example, it is 50 percent above average in that category. An index above 110 or below 90 (10 percent above or below average) is significant.

Cincinnati

First, we turn to Cincinnati. This DMA, with 1.78 million residents, has higher percentages of the three target groups than the national average, Columbus or Cleveland. Our potential target audience here is substantial, representing up to 41 percent of the total population. Some notes on their demographics:

- **Age:** Target audience members trended middle-aged and older. The lowest median age among the three target segments was 42.
- **College:** The number of people with a four-year college degree is very high. All three segments indexed at 131 or higher. Active Influencers indexed at 221; 57 percent of them reported a four-year degree, more than double the Cincinnati average.
- **Employment:** The target audience holds predominantly white-collar jobs.
- **Race:** They are mostly white.
- **Income:** A high percentage of people make \$75,000 or more. (By definition, all Active Influencers make at least \$100,000.)

Columbus

With 1.9 million residents in its DMA, Columbus is home to the state government, Ohio’s largest university and has similar characteristics to Cincinnati. As noted earlier, Columbus has lower rates of potential audience members than Cincinnati. But there is still a sizeable portion of the population that may be engaged by this startup’s content. And more so than in Cincinnati, target audience members in Columbus identify more strongly with *all* demographic indicators. In other words, the potential audience in

Columbus is smaller but more likely to be engaged. Our potential target audience is about 31.5 percent of the population. Some notes on their demographics:

- **Age:** The median ages spanned from 47 – 51 years old in Columbus, older than Cincinnati.
- **College:** The number of people in our target audience with a four-year college degree indexed even higher than Cincinnati. All three segments indexed at 139 or higher. Active Influencers and Engaged Citizen indexed at 266 and 195, respectively.
- **Employment:** Again, with higher rates than in Cincinnati, the target audience predominantly holds white-collar jobs.
- **Race:** They are mostly white.
- **Income:** A high percentage of people make \$75,000 or more. Active Influencers and Engaged Citizens in Columbus had the highest median HH income among the three DMAs. (By definition, all Active Influencers make at least \$100,000.)

Cleveland / Akron

It may be easier to think of this DMA as all of northeastern Ohio. With nearly 3 million residents, this is Ohio’s single largest market that spans a large swath of the state. This market had similar characteristics to Columbus, with lower percentages of potential audience members than Cincinnati who more strongly identified with target demographic indicators. It even indexed higher than Columbus on a few of those indicators, like college degree and age. Here, the potential target audience is about 29 percent of the population. Some notes on their demographics:

- **Age:** The median ages spanned from 49 – 56 years old in Columbus, the oldest of the three DMAs.
- **College:** The number of people in our target audience with a four-year college degree indexed even higher than Cincinnati. All three segments indexed at 159 or higher. Active Influencers and Engaged Citizen indexed at 281 and 201, respectively, the highest of the three markets.
- **Employment:** Again, the target audience predominantly holds white-collar jobs.
- **Race:** They are mostly white.
- **Income:** A high percentage of people make \$75,000 or more. The median HH income of Active Influencers here was slightly less than Columbus. (By definition, all Active Influencers make at least \$100,000.)

To review, these DMAs had substantial similarities but each showed different areas of promise for these three target audiences. With more than 40 percent of its population, Cincinnati showed the largest potential audience. Columbus and Cleveland's potential audiences showed high likely engagement based on demographic indicators, especially income and education, respectively. A great deal of psychographic data is also available in the Nielsen Scarborough analysis — how these people live, how they interact with media, how they use the Internet — but that becomes more relevant to an audience marketing plan. In sum, analysis of these audience segments in Ohio reveals a large potential audience for this nonprofit's journalism.

How to connect with the ideal audience

We have developed and defined a potential audience for this nonprofit in Ohio. Now, we must understand how to connect with that audience. A nonprofit, niche journalism startup will find success only if it finds an audience, engages it and eventually taps a portion of that audience for revenue. The latter part of that plan is discussed in the next section. For now, we must highlight ways to engage this audience. To become relevant, this nonprofit will have to repeatedly demonstrate its worth to its target audience. That relies on how well the journalism connects with people who fit the startup's demographic targets. Nielsen Scarborough offers specific psychographic data relevant to a specific marketing plan. But at this point, we will only consider a broad-strokes approach to audience engagement. This assumes the ideal consumer of this

nonprofit's content is someone who is middle-aged, digitally-savvy, college-educated, middle-class or higher, employed in the nonprofit or public sector and "civically engaged" — politically active, attends civic events, like plays, gives to philanthropic and/or political causes, uses civic establishments, like museums, and/or volunteers. Again, these are not mutually exclusive, but they paint a broad picture from which we can build.

Ohio offers many existing civic networks to target. The state government employs more than 50,000 employees, though more than 13,000 work in state jails and prisons (Department of Administrative Services, 2016). There are about 110,000 teachers in public schools (Ohio Department of Education, 2013). There are 14 public universities, with 24 branch campuses, and 23 community colleges that serve more than 600,000 students a year (Ohio Department of Education, n.d.). The state has the fifth most local governments in the country, at more than 3,800 (Number of Local Governments by State, n.d.). More than 500 organizations are affiliated with the Ohio Association of Nonprofit Organizations and more than 14,000 nonprofits filed 990s in 2014 (Ohio Association of Nonprofit Organizations, n.d.). (A 990 is a federal tax form nonprofit organizations file.) This shows a massive potential network that can be targeted when this nonprofit launches. With careful marketing to this group of public sector and nonprofit employees, the startup could become relevant in these communities fast. Its content is likely to quickly attract the attention of Columbus political-types who carefully follow state government. But building a following through the website only will be slow. Public sector email addresses are public records. They should be digested and analyzed, then targeted — with careful attention to detail and relevance for the audience — shortly after

launch. This offers a massive potential reach to increase email newsletter sign-ups, social media followers and pageviews early on. This must be used very sparingly, perhaps not more than once or twice. But a major topic of relevance to each community — an announcement at college campuses of open forums on the future of higher education in Ohio, for example — could draw massive initial reach and some engaged users in the long-term.

This nonprofit would not be the first to target these civic networks. To name a few, the Ohio Association of Nonprofit Organizations, Ohio Municipal League, Ohio Education Association, Ohio Confederation of Teacher Education Organizations, Ohio Art Education Association, Environment Ohio, Buckeye Forest Council — all of these groups, and many others, have memberships in the public or nonprofit sectors who either work in those sectors or are *engaged by the civic nature* of their activities. The publications, email newsletters and other outreach efforts of these groups offer a trusted connection to an audience of influencers and decision-makers in public policy across Ohio. In the early stages, this startup must focus on minimizing costs. But buying advertising in high-engagement outreach efforts of these organizations may be a worthwhile investment to build a greater following.

In the same vein, a savvy social media strategy will be key. This requires efforts at sharing content and the nonprofit's brand, primarily on Facebook, with specific groups that are likely to be engaged by the startup's mission. The state political parties, policy-focused groups, political lobbies, elected officials and civic organizations all have various-sized followings on social media. Making them aware of this nonprofit's existence and its content will be key. The nonprofit will have to carve out a following

separate from other statewide Ohio news organizations and become the definitive voice for state politics and policy coverage.

The leading social media presence dedicated to Ohio political news is the *Dayton Daily News*' Ohio Politics page on Facebook (Dayton Daily News, n.d.). With more than 50,000 likes, it represents the most substantial threat from another media organization in terms of social media presence through discussion of Ohio political news. But their social strategy mimics other legacy news organizations, which largely consists of frequent sharing and little creation of social value. Posts routinely receive fewer than 10 engagements. *The Columbus Dispatch* politics page has struggled to gain traction, with fewer than 1,000 likes (The Columbus Dispatch, n.d.). Cleveland.com has an even smaller following (Cleveland.com, n.d.). *Gongwer* and *Hannah News Service* have barely any presence. None of these seem to pursue strategies that include promoted posts, which can reach massive, targeted audiences for relatively little money.

These share-focused approaches miss major opportunities to stimulate discussion of Ohio political and policy news. This decreases the social value of these enterprises and in turn, decreases the relevance of these media organizations to the social conversation in the state. A focus on key social constituencies, targeted Facebook promotions and engagement gives this startup an opening among existing social media efforts around Ohio politics. An effective social media strategy could quickly attract a target audience that will drive content and engage an audience to click through to the website, sign-up for newsletters, attend events, follow social media accounts and potentially donate.

Another key way to engage these audiences will be through events. Events offer the highest possible engagement opportunity, as they are in-person and have the highest

opportunity cost for the audience member. Following a Twitter account or subscribing to an email newsletter is helpful. Showing up at an event put-on by a news organization is extremely useful.

Events are a way other news nonprofits have developed a dedicated audience. Audience members can meet directly with journalists. They can be asked to engage with the nonprofit on social media or through email. As part of the startup's core audience, event attendees can provide useful feedback. They are more likely to donate to a nonprofit's cause and consistently engage with its content. As detailed in the literature review, there are several different kinds of events that can be used to engage an audience. For this project, initial events focused on conversations about policy and sit-downs with newsmakers may be the most successful.

Another possible route may be a roadshow to different parts of the state with audiences that are highly engaged in civic activities, like substantial local governments or universities. These offer direct ways to take the mission, brand and journalism of this startup to its audience. This strengthens the relationship between outlet and reader. And it is the strongest way to demonstrate the value of the nonprofit to its audience. This lays the groundwork for financial support from the most dedicated, involved members of the audience.

These efforts point toward a patchwork of audience engagement efforts that do not focus on a single medium. At least initially, this organization cannot expect to have a highly trafficked website without substantial audience engagement and retention efforts. Even then, direct traffic may remain low for a substantial period of time. The most likely path to success lies in developing a highly engaged readership that is dedicated to

subscribing to, consistently sharing and discussing news produced by this nonprofit. The audience engagement plan must focus on quality and engagement over quantity and demonstrate a consistent growth in dedicated audience.

Monetize audience: engage readers, develop a following and draw revenue

In the past few years, news nonprofits have found increasing success with a model of donor giving. The Texas Tribune, MinnPost and Voice of San Diego have emerged as three robust examples of nonprofit newsrooms — two of which have statewide, politics/policy focuses — that are harnessing a broad donor base to fund their operations. In 2014, with a Knight Foundation grant, the MinnPost and Voice of San Diego launched a membership growth project, saying “both organizations believe members are key to long-term sustainability” (MinnPost, 2014). Other nonprofits are also developing membership models. Smaller outlets with focuses on state governments and politics, like VTDigger and WyoFile, are developing membership models too. These news nonprofits and others have determined a foundation of small-dollar donors is critical to long-term sustainability. Most of these outlets still rely on substantial financial support from large individual donations, foundation grants and sponsorship. But each year, they’ve grown their level of support from a grassroots network paying \$50 a year or \$10 a month. Others members pay hundreds or thousands of dollars a year.

For a news nonprofit in Ohio to be successful, the goal from launch must be to diversify revenue streams. The long-term goal must be to develop an engaged audience

with members who will donate to support journalism. There is no benchmark for how long it takes to make someone a likely donor to a nonprofit news outlet. But the experiences of The Texas Tribune, Voice of San Diego, MinnPost and VTDigger are instructive for this project.

“Support Journalism” trumpets a slider of colorful photographs at the bottom of the Voice of San Diego’s (VOSD) April 2015 impact report. (Voice of San Diego, 2015) identifies “individual members” as one of its four major revenue streams, a group that includes anyone who gives between \$35 and \$5,000 a year. To further encourage donations, VOSD has broken up memberships into four categories. The lowest category, Conversation Starter, gives contributors discounted tickets to some VOSD events while the highest level, Loud & Clear, gives members an opportunity to spend time with VOSD journalists exploring important local stories.

Other nonprofits have also created these options. The Texas Tribune offers nine contribution-dependent levels, ranging from \$10 for a student membership to a myriad of perks for a “Chairman’s Circle” member at \$5,000 (The Texas Tribune, n.d.). Bronze through platinum membership levels at the MinnPost offer discounted tickets to major organization events or a subscription to *The Atlantic* (MinnPost, member benefits, n.d.). The VTDigger is simpler, with five proposed levels of giving but few perks — anyone who gives more than \$120 receives a free hat (VTDigger, Join Now, n.d.).

The common theme through all these programs is their long-term planning. Building a base of small-dollar donors is critical to financial success. But even more critical to ensuring sustainable operations is an engaged, loyal readership that feels the news nonprofit they read adds value to their lives. With the decline of newspaper

readership and subscriptions, there is a major opportunity for nonprofits to focus on audience engagement. Those efforts can translate into dollars from donors who find membership perks, news content, events or other activities valuable.

However, there is a reality of small donations all these groups must grapple with: only a small portion of readers actually contribute financially. While these nonprofits each have several hundred or a few thousand donating members, those individuals represent a fraction of the hundreds of thousands of unique visitors each publication attracts each month. According to the audience metrics these nonprofits provided, paying readers are only a small subset of the highly engaged audience, let alone the broader population.

This reality is not foreign to legacy media. *The New York Times* reached one million digital subscribers in 2015 — accompanied by the revelation 12 percent of readers deliver 90 percent of the revenue. “We need to focus on our loyal readers,” Dean Baquet, the *Times*’ editor, said to sum up the *Times* position (Doctor, n.d.). It is no different for news nonprofits. Money is not likely to flow from a majority or substantial minority of readers. Instead, a committed audience that feels the nonprofit outlet is needed and valuable will make up a contribution-based membership program.

At the MinnPost, launched in 2008, membership revenue has grown to be the organization’s single-largest revenue stream (MinnPost, 2015 MinnPost Year-End Report, n.d.). In the organization’s 2015 annual report, more than \$700,000 in revenue was credited to members. That figure included event revenue, but that is because “our event revenue comes predominantly from individuals” through tickets sold to members, said Andy Wallmeyer, the MinnPost’s publisher. (Wallmeyer, Interview) At the end of

2015, the nonprofit counted 2,616 member households. That's between 2.5 and 5 percent of the MinnPost's core online audience of 60,000 to 100,000, depending on how it's measured, Wallmeyer said. "That's lower than I think it should be," Wallmeyer added, pointing to membership figures up to 10 percent for public broadcasting. But in less than a decade, the MinnPost has grown revenue from member donations and tickets purchased for events to nearly 40 percent of its total. In 2014 alone, that revenue stream grew 14 percent.

At VOSD, the nonprofit has hovered around 2,000 members for about a year, said Mary Brown, VOSD's publisher (Brown, Interview). The website average about 150,000 unique visitors a month, so Brown pegs her conversion rate at about 1 - 2 percent. "We can do much better ... so there's a lot of potential for growth, but it's an uphill battle," she said. Still, after subtracting two \$200,000 donations, members contributed \$453,000 to the organization in various amount. VOSD brought in \$233,000 from members who gave between \$20-\$4,999, and another \$220,000 from members who gave \$5,000-\$200,000, excluding the \$400,000 from two large donations, Brown said. This income is just member donations, unlike the MinnPost, which also includes event revenue. VOSD also has a smaller geographic coverage area than MinnPost, Texas Tribune or other nonprofits, targeting primarily San Diego County. While that county has three million residents, it does not afford the same opportunities to tap different civic communities that a statewide focus offers.

In Austin, TX, the Texas Tribune counts event and membership revenue separately. Both are a major component of the revenue stream, according to information provided by Griggs, the Tribune publisher (Griggs, Interview). At the Tribune, members

are considered “consumers” — people who experience the Tribune’s journalism, events and tools as products. Consumers annually contribute up to \$5,000. In 2015, “consumer revenue” made up about 20 percent of the Tribune’s \$6.5 million budget — or \$1.3 million. That is a key revenue stream for the Tribune to grow, Griggs says. The Tribune is pursuing a strategy that focuses on connecting with 1 in 5 Texans but heavily engaging with and monetizing the core potential audience of 400,000. Right now, the Tribune hovers around 4,000 and 5,000 paying members — the vast majority of whom pay \$5,000 or less annually. Griggs believes those numbers are between three and five percent of the Tribune’s core audience. While the Tribune had nearly 800,000 monthly users on its website in 2015, the core audience is far smaller. By Griggs metrics, the Tribune’s current core followers are between 80,000 and 130,000 people. According to audience research, about 400,000 Texans could form the Tribune’s core audience. That presents major audience and financial growth opportunities, with potential to *quadruple* the Tribune’s current core of consumers.

How these insights apply to an Ohio nonprofit

These experiences tell us that even under the most aggressive strategy, a goal of even 5 percent audience-to-member conversion may be high. We will use 2 percent, a middle ground, as the goal of our audience monetization plan. To that point: by the end of the second year of publishing content, this nonprofit should aim to have about 2 percent of its engaged audience contributing to its journalism through a contribution-based membership model. An engaged audience member would be someone who visits the nonprofit’s website at least five times each month. It should be noted this excludes people who give above \$5,000 — they would be considered major donors, and while they

would receive membership benefits, their support is beyond what the average reader could contribute. The estimates in this section have been made conservatively.

By two years after launch, it is reasonable to assume an engaged audience of about 100,000 monthly users, based on the audiences the MinnPost, Texas Tribune, VTDigger and VOSD built. That would be about 4.5 percent of the 2.2 million Ohioans this audience research identified as possible targets in the state's three main markets. The potential audience would likely grow substantially when other market areas are factored in, as these three markets only cover 60 percent of the state's population. It is true those nonprofits built those audiences over longer periods of time than two years. But an aggressive audience engagement and retention strategy, informed by the lessons from other news nonprofits, could make this achievable. In sum, the goal is to engage less than 5 percent of the target audience in two years, and convert about 2 percent of those readers into members. That aims to have about 2,000 paying supporters of this nonprofit 24 months after launch.

Predicting what level of support those members will contribute is very difficult. Other nonprofits saw wide variability in support. But there was a common theme: donors who were the most engaged with a nonprofit's content and mission were more likely to give the most, according to interviews and a study on news nonprofit members from 2012 (Powers & Yaros, 2012). This means it will be critical to engage with readers through social media, email newsletters, in-person events and other methods to build and retain a core audience.

To that end, we can set some goals for how 2,000 people would contribute. Fewer than one hundred people could be expected to fall in a high-range level of member

support — between \$1,000 and \$5,000. Other news nonprofits have shown they can build a small but highly dedicated following that gives in the low thousands-of-dollars to support journalism. Many others will fall in a mid-range, between \$100 and \$1,000. The rest will likely contribute in a wide range below \$100. There could be some goal of managing this through encouraged amounts, suggested membership levels, monthly giving and other tactics. But membership rolls at other nonprofits show many people will pick an amount of their choice.

With all this in mind, we can set the following goals for income from the projected 2,000 members two-years after launch. Contribution projections are built by taking a percentage of the total membership and multiplying it by the average of the donation range. The assumed percentages for each range are as follows: High-range, 2.5 percent (about 50 people); Mid-range, 17.5 percent (350 people); Low-range, 80 percent (1,600 people.) These goals are based on the summing of projected one-time donations from each member:

- **High-range** (\$1,000 - \$5,000): \$150,000
- **Mid-range** (\$100 - \$1,000): \$192,500
- **Low-range** (\$25 - \$100): \$100,000
- **Total:** \$442,500

While informed by successes from other nonprofits, it must be made clear this analysis is not wholly predictive. Some members could fall in lower categories; some could make large donations. This analysis is rooted in the percentages of engaged readers other news nonprofits were able to convert. The ability to meet these numbers will be extremely dependent on the success of targeted audience engagement and retention efforts.

Conclusion

In this appendix, we detail a potential audience for a news nonprofit in Ohio focused on politics and policy coverage of Ohio government. Further, we have reviewed ways to engage that audience and monetize it. This is a must for a startup that needs to diversify its revenue streams. All companies define the potential audience for a new product. This research shows journalism outlets should do the same. Through intelligently studying Ohio's audience and engaging it, this startup can follow the lead of other successful nonprofits that have grown revenue from readers.

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