



REALIZING POTENTIAL

WHAT CHICAGO'S ONLINE INNOVATORS NEED

An **Advancing Chicago's
Information Ecosystem** Report

Funded by The Chicago Community Trust and
The John S. and James L. Knight Foundation

REALIZING POTENTIAL
What Chicago's Online Innovators Need
By The Community Media Workshop



Licensed under a Creative Commons Attribution-NonCommercial-NoDerivs 3.0 Unported License.

September 2010

TABLE OF CONTENTS

Executive Summary

Introduction	Thom Clark: Growing and Sustaining a Healthy Online News Ecosystem
Essay	Michele McLellan: Business Sense and Audience Engagement Vital to Online News Success
Chapter One	Needs and Concerns
Table I	Business Needs Prioritized
Table II	Technology Needs Prioritized
Table III	Editorial Needs Prioritized
Table IV	Visibility Needs Prioritized
Table V	Training/Consulting Needs Prioritized
Table VI	Attitudes Toward Issues Facing Online News Sites
Chapter Two	Possibilities and Priorities for Help
Table VII	Priorities for Types of Assistance
Table VIII	Prioritizing Specific Ideas for Assistance
Chapter Three	Observations from Other Regions
Chapter Four	Recommendations
Essay	Jessica Rosenberg: Thou Shalt Not Plagiarize or Invent Quotes
Essay	Justin Massa: Why Is the Internet So Slow? The Importance of Net Neutrality to Hyperlocal Journalism
Appendix I	Acknowledgements
Appendix II	Methodology

EXECUTIVE SUMMARY

To understand what online news sites need to become sustainable, The Chicago Community Trust asked Community Media Workshop to examine the needs of online publishers in four areas: business operations, editorial issues, technology and visibility.

In August 2010, the Workshop surveyed site publishers and analyzed results from 71 surveys. The Workshop also conducted three focus groups of site operators, interviewed site publishers from other regions and asked for guest commentaries to supplement the report's findings on Chicago's needs.

Needs of Chicago's Online News Sites

Top Concerns

- 29 of 71 sites (41%) identified “generating enough revenue to support the site” as their most important issue.
- 15 survey respondents (21%) identified “driving traffic and building an audience” as their top concern.
- 14 sites (20%) identified “producing content” as a top concern.

Business Issues

- 43 respondents (61%) said their sites do not bring in more revenue than they pay out in expenses.
- 43 respondents (61%) said that they would operate their site even if the site didn't pay for itself.
- 51% (36 respondents) said they were confident they would find ways to sustain their online news sites over the next two to three years.

Visibility and Audience Issues

- 44 respondents (62%) said that many members of their site's target audience do not know about their site.
- Four in 10 sites report that neither advertising agencies nor local businesses understand what their sites do and who their audiences are.
- One in three sites reported that if they understood their own audiences better, they could do a better job attracting advertisers and could produce a better news site.

Most Requested Needs

Survey respondents identified several items that could help them become more sustainable. The most frequently identified items include:

- Help making connections with possible philanthropic funders;
- Help creating content-sharing partnerships where logical;
- Help making connections with possible investors;
- Meetings with other news producers to share ideas and tips;
- A reporting fund for investigative stories or important community issues;
- A joint ad-sales effort with other similar sites;
- Help making connections with other Chicago-area entrepreneurs.

Most Requested Areas of Training

Survey respondents also identified areas where they most need training. The most frequently requested areas of training include:

- Building audiences (64 respondents, 90%);
- Driving traffic (63 respondents, 89%);
- Using metrics (57 respondents, 80%);
- Seeking grants (57 respondents, 80%);
- Using social media (55 respondents, 77%).

Additional Perspectives

Guest essays and interviews from other regions seek to provide additional perspectives on the situation facing Chicago online news sites.

- Reporting on research she conducted as a fellow at the Reynolds Journalism Institute, Michele McLellan argues that online news sites face challenges not because of the lack of a model or because there is no clear source of revenue, but rather because site publishers are new to the business world. McLellan points to online news publishers who are optimistic about making money. She argues that community and audience engagement is an important driver of business success, as is a business strategy that seeks multiple revenue streams.
- Justin Massa, director of project and grant development at Metro Chicago Information Center, argues that online local news would suffer if net neutrality is not maintained, especially over mobile networks.
- Jessica Rosenberg, an editor in Burr Ridge for Patch.com, AOL's new nationwide network of hyperlocal sites, reports on her biggest challenge: "finding [a reporter] who can actually write well, interview, and uphold some kind of journalistic integrity (like thou shalt not plagiarize or invent quotes)."

Finally, the report summarizes observations from online news sites in other regions that have grappled with revenue and audience engagement issues.

Recommendations

The Workshop recommends that those interested in the health and growth of Chicago's innovative online news creators support the following services to help Chicago news sites:

- Help online news sites sell advertising and generate other sources of revenue;
- Help online news publishers understand, grow and talk about their audiences;
- Recognize and reward the work of online news sites;
- Build opportunities for better relationships between online news sites and funders and investors;
- Help online news publishers network, share content and learn from each other;
- Support an investigative reporting and community issues reporting fund for locally-based online news publishers;
- Increase the visibility of the online news sector and its needs with regional economic development and opinion leaders.
- Stay informed and engaged about the impact of national policy on online news.

A local focus is implicit in all of these recommendations—that such help should support those online publishers who are either locally based or that produce local information about the Chicago area, its communities and neighborhoods.

The report suggests a few possible models for offering services to online news sites: further training and the creation of a center or help desk for online news sites.

Finally, the Workshop encourages foundations and other funders to continue to make strategic investments in the operations of promising emerging news projects, especially those engaging in new models or providing news to underserved areas or about uncovered issues.

INTRODUCTION: GROWING AND SUSTAINING A HEALTHY ONLINE NEWS ECOSYSTEM

*By Thom Clark
President, Community Media Workshop*

Chicago is building a vigorous hub of digital information providers, perhaps more numerous and diverse than other parts of the country. From cookie-jar financed kitchen table labors of editorial love to legacy dailies aggregating online bloggers and homemade videos, the nation's third largest media market has spawned more than 100 active online news sites (and many other periodically active sites), providing area residents with a vast array of information from hyperlocal to community-wide to regional.

But in the midst of a great recession and with no clear business model emerging as yet for ongoing delivery of digital news, attaining success and sustainability of Chicago's online news ecosystem remains challenging. The Chicago Community Trust asked the Community Media Workshop to examine the needs of this emerging online news sector and identify ways the city's philanthropic and civic leadership might better support the health and growth of online news in the Chicago area.

The emerging online news sector in Chicago is a rich and diverse array of sites focusing on original news, aggregation and community engagement. These sites support themselves through a variety of sources: foundation or investor funding, subsidies from print or broadcast revenue, advertising, donations, membership, and in many cases, the personal resources of site publishers.

In this report, the Workshop's third examination of the online news ecosystem in a year, we recommend a range of services, tools and training that could help a broad base of online news sites become more sustainable. At the same time, we encourage foundations and others to continue to make strategic investments in the operations of promising emerging news projects, especially those engaging in new models or providing news to underserved areas or about uncovered issues.

As revealed in a survey of some 70 online news providers and fleshed out in three focus group discussions, very few new news sites are operating in the black or at break even. Indeed, many online news publishers are motivated more by content than profit. And while some have a keen sense of the audience they are publishing for, many lack basic audience understanding and research tools that could significantly

boost the revenue-generating potential of their sites. Many site operators believe they lack the general visibility in the marketplace that could lead to more traffic, cross-posting of content and higher appearances in search engine rankings.

It is also clear that a high degree of informal networking is already taking place amongst a group of news entrepreneurs who might otherwise be competitively non-engaged with each other. Aggregation of content, sharing of technology solutions, discussions about a shared advertising network: All are encouraging signs of cooperation within this emerging sector.

Chicago is well-positioned to support and grow its online news ecosystem due to a number of other factors, including:

- A rich pool of seasoned journalists and editors, many who were recently laid off;
- Major university, college and high school journalism programs;
- A deep bench of strong business schools;
- A seasoned regional advertising and media relations industry;
- Several competitive daily newspapers that are actively retooling for the web;
- Rich tradition of public-service television resources (public radio and television, educational, governmental, cable access programming);
- A strong local history of investigative and watchdog journalism by both traditional and independent media outlets.

Nestled alongside the country's third coast, Chicago is also the home of some of the nation's more successful, creative and disciplined Web 2.0 entrepreneurs, such as Groupon, EveryBlock, 37signals and Threadless. NetTuesday, an organization of technologists, is trying to encourage a diverse group of technologists to join with community-based activists to lift all boats. The success of the state and city in attracting federal broadband stimulus monies will help four underserved communities engage the internet more fully; the upcoming Neighborhood Digital Excellence Conference & Technology Fair (Oct. 29 at DePaul University) will try to make sure that the city's other neighborhoods benefit in the next round.

Our bustling hub of online information publishers and internet entrepreneurs exists despite limited venture capital for such efforts, limited (until recently) civic leadership and commitment to supporting needed infrastructure, an undocumented but heartfelt tech brain drain (to the other coasts?) and comparatively limited philanthropic and individual donor investment, compared with start-up funding found in some other cities we researched.

The McCormick Foundation has long supported journalism and has recently begun focusing its local journalism funding on youth and ethnic news media and on media literacy. The John D. and Catherine T. MacArthur Foundation has supported a significant 14-website New Communities Program network using seasoned journalists and multimedia to promote development activities in areas that are

traditionally under-covered except for police blotter news. And The Chicago Community Trust, which long underwrote the “Chicago Matters” program on public television and radio, succeeded in 2008 in attracting Knight Foundation support for its Community News Matters program, which to date has supported 12 online news projects and this research. With this report, the Trust now hopes other area foundations and donors will join in the effort to ensure our region gets the news and information it needs for residents to make good decisions.

Revenue generation—whether it is attracting more advertising, securing memberships and sponsorships, landing venture capital or successful grantsmanship—is the chief issue bedeviling online news sites big and small. One of the big new kids on the block, the *Chicago Tribune*’s ChicagoNow site, claims it is breaking even. But some other smaller sites might be covering one-quarter or one-third of their costs with advertising. So there’s a revenue gap that other cities’ successful sites suggest might be made up through donations, memberships, grants, consulting revenue or venture capital attracted to sites with solid business plans. Chicago Public Media/WBEZ has already experimented with a limited ad network that includes Gapers Block and Windy Citizen, which could form the basis for a larger effort supporting smaller sites in aggregate. The Chicago Community Trust is also actively exploring the creation of an advertising network for community-oriented sites.

Some sites could use business development advice or better audience research. Most focus group participants thought they had found technology advice from area colleagues or the open source developer community. But web technology is ever evolving and as more multimedia is employed, more users gain access through mobile or smart phone devices (many NEW News sites are not mobile-ready), and as online technology evolves, more opportunities will likely emerge that speak to information and collaboration.

Gaining more visibility, helping site users better understand what content is being offered, promoting the emerging online news ecosystem—these elements of gaining legitimacy, authenticity (and hopefully increases in traffic and revenue) were recognized as important non-cash contributions that foundations and others could provide.

Survey respondents and focus group participants seemed least worried about content generation (which is why most of them started their sites to begin with). And there was less demand for journalism training or ongoing support of volunteer “citizen” journalists than we had expected to find.

This report delves deeper into the issues we began examining 18 months ago: How has the media landscape shifted? Who’s a journalist now? What do online outlets need to succeed and where can funder dollars have the most impact?

What we’re finding is varied and encouraging. We know philanthropic support will continue to be vitally important as online news sites work to become sustainable in

the long term, and we continue to evaluate whether the emerging sector is providing Chicago citizens with the news we want and need.

Since philanthropy's purpose is to create public good—often for those at greatest risk or with greatest need—then the journalism philanthropy supports should be no less ambitious. It should not be the news that could be funded in other ways but should help diverse communities—ones whose stories may have never been told well by traditional media—get the information they want and need. Philanthropic support should aim to support a sustainable, thriving online news ecosystem that is ethical, comprehensive and accessible by all Chicagoans.

Such investments may bear more risk than normal grant making, but they promise higher rewards: a more broadly informed and engaged citizenry for the 21st century.

ESSAY: BUSINESS SENSE AND AUDIENCE ENGAGEMENT VITAL TO ONLINE NEWS SUCCESS

By Michele McLellan

*Circuit Rider, Knight Community Information Challenge
Fellow, Reynolds Journalism Institute*

We're seeing an explosion of local online news startups across the United States.

Key drivers: Jobless journalists start independent sites. Technology is easier to master. Community leaders and organizations step up to help fill gaps.

This is very evident in Chicago, where dozens of sites and blogs are providing news and information, and The Chicago Community Trust and other organizations are working to support the emerging news ecosystem.

Even so, sustainability is a key challenge for most online news publishers.

Mainstream media sources often suggest sites fail either because it's just too difficult to make a go of independent online news or because there is no obvious single source of revenue for news (like there used to be—advertising).

I suggest an alternative explanation: Sites struggle because their leaders don't know much about running a business or making money. Often, the leaders are journalists who are downright uncomfortable even talking about selling ads or raising money. Worse, they pin hopes on a single stream of revenue rather than planning for multiple sources and fail to plan for the time when they have enough people using their sites that they have something to sell.

Absent obtaining a grant that guarantees their independence and reinforces the idealistic notion that journalism is a public good rather than a product in a market, journalists can be just plain lost when it comes to making money from online news.

Still, many online news publishers are working on revenue and are optimistic that their local sites can be sustained.

As a fellow earlier this year at the Reynolds Journalism Institute, I developed a list of promising local news sites—both for-profit and nonprofit. We surveyed their publishers to identify best practices and key challenges they face. (Link for Michele's List: bit.ly/micheleslist; link for survey: <http://www.rjionline.org/fellows-program/mclellan/index.php>)

Many publishers told us that engagement and community building are central to their sites. While their top priority is creating original news content, engaging and building community is a close second.

Some see community engagement as key to business success.

Paul Bass of the New Haven Independent said community has been the core mission of the nonprofit site. “We cultivated a community. We’re a journalism-driven community.”

Engagement may be a particularly strong factor for sites that chose to develop a membership or individual donations model, like that of National Public Radio.

Other sites are making money by hosting events and selling syndication rights to their content to other sites and publications.

Sponsorships are another vehicle that both for-profits and nonprofits can exploit. They may look like advertisements, but the buyer is paying to be associated with the site, rather than for potential click-throughs to the product advertised.

Still, our survey found that online local news sites rely most heavily on advertising for revenue. On average, advertising accounts for 45 percent of site revenue. Nearly half of the sites reported that 75 percent or more of their revenue comes from advertising.

Grants are the second largest source of revenue, followed by donations. Other sources such as sponsorships, subscriptions, memberships and services account for miniscule amounts.

While most of the sites report revenue and about one-fourth said they were profitable in 2009, three-quarters of the publishers said they are trying to increase revenue.

It’s clear that this will be a process of trial, error and experimentation around revenue. In Chicago, a couple of examples of exciting ideas are evident: Brad Flora of WindyCitizen.com just won a \$250,000 Knight News Challenge grant to develop Real-Time Ads. The Chicago Community Trust is facilitating learning and discussion among local sites about forming an advertising network. (Link to Real Time Ads grant: <http://www.newschallenge.org/winner/2010/windycitizens-real-time-ads>)

Chicago is not alone as a local news innovation space. In Seattle, for example, many neighborhoods have competing news websites, entrepreneurs are creating advertising and content networks, and the major traditional news organization, *The Seattle Times*, is partnering with local sites and bloggers. One of those partners is West Seattle blog, a site that shows that the right combination of location, community, commitment and advertising know-how can create a profitable and valuable news source. (Link to

Seattle Times: www.seattletimes.com; to West Seattle Blog: www.westseattleblog.com)

The story is the same all over the country. Patch.com, America Online's entry into the micro-local marketplace, is evidence that an organization that is primarily about revenue and the web sees dollar signs in local advertising.

Whether an experiment fails or succeeds, the generalizations that seem to dominate mainstream media coverage do a disservice to important learning about the new local news landscape. Most of the field is still about trial and error. Until we define effective practices, how can we say whether a given model works or not?

Eric Newton, vice president for journalism programs at the Knight Foundation, describes a three-legged stool of the expertise needed: journalism, business, web.

I would also note the three roles overlap in ways that require reinvention of the church-state division of journalism from revenue generation.

That doesn't mean every journalist should now be selling ads between reporting assignments. But clearly, the journalist must focus on engagement and value—as defined by the community—and must understand web culture and how to connect within it; the web specialist must not only build websites but must see technology through the prism of user preferences and community building; the business specialist must aggressively generate revenue in ways that are consistent with the brand, which is another way of staying consistent with how the site's community sees it.

That approach ultimately will create diverse paths to sustainable community sites.

CHAPTER ONE: NEEDS AND CONCERNS

In order to hone in on the most pressing needs of the online news sector, Community Media Workshop completed two outreach projects in August 2010.

First, Community Media Workshop conducted three focus groups with Chicago News Matters grantees and other online news sites to explore the issues that affected their long-term sustainability. Based on the feedback from those groups, the Workshop surveyed publishers about their needs.

The findings that follow reflect the results of the survey (which, after removing duplicates and sites focused on national audiences, was completed by 71 online local news sites) and the observations from the focus groups. For more information, please visit the Methods section.

We asked survey respondents to identify the single most important issue they face in continuing to operate their site. Not surprisingly, revenue is their top concern.

Twenty-nine of 71 sites (41%) identified “generating enough revenue to support the site” as their most important issue. Fifteen survey respondents (21%) identified “driving traffic and building an audience” as their top concern, and 14 sites (20%) identified “producing content” as a top concern.

Options that few respondents identified as top concerns included choosing and managing technology (5 respondents, 7%) and managing business operations and taxes (no respondents).

Business Needs

One-third of survey respondents said they operate as for-profits (24 sites, 34%); twenty-two said their sites operate as nonprofits (31%), and 23 sites said they have not incorporated.

Sector-wide, Chicago online news sites rely upon a diverse stream of revenue to support their operations—but that revenue often does not pay for their expenses. As we found in the NEW News 2010 report, online news is a labor of love, as many survey respondents indicated they’ll continue to operate their sites even if they don’t make money. Forty-three respondents (61%) said their sites do not bring in more revenue than they pay out in expenses. Fifteen sites (21%) said they do bring in enough money to pay expenses, and 12 sites (17%) said they do not know.

As for revenue sources:

- Sites most frequently reported relying upon advertising (29 responses, 41%) and self-funding (“do coins from my piggy bank count?”) (28 responses, 39%) to operate their sites.
- Roughly one in four rely upon donations (20 responses, 28%) or grants or foundation funding (18 responses, 25%) to run their sites.
- Just more than one in 10 receives funding from memberships or pledges (8 sites, 11%).
- Two sites (3%) rely upon venture capital or other private investors.
- One in five sites reports being subsidized by a larger nonprofit or for-profit entity that subsidizes the site through operating revenue (15 sites, 21 percent) or by a print or broadcast news operation (7 sites, 10%).
- Eleven sites (15%) report funding through events.
- Five sites (7%) report funding a site through consulting or sales of goods and services.
- Two (3%) report funding a site through subscriptions.

Attitudes Toward Business Issues

We asked respondents if they agreed or disagreed with several statements regarding their site’s business operations.

- Respondents were optimistic about their future: 43 respondents (61%) either agreed or strongly agreed with the statement that they would operate their site even if the site didn’t pay for itself, and 51% (36 respondents) agreed or strongly agreed that they are confident they will find ways to sustain their sites over the next two to three years.
- Sites were evenly split about whether they would make more revenue than they pay in expenses in two to three years. Twenty-five sites (35%) said they would not, 23 sites said they would (32%), and 22 sites (31) said they were unsure.
- At the same time, 34 respondents (48%) agreed or strongly agreed with the statement that business issues take more time than they expected.

“One of the problems is that we’re all content people, we’re the writers. We’re not the business people,” said one focus group participant.

Advertising and Business Operations

Advertising—and collecting revenue generally—remains challenging for survey respondents. Eleven (15%) said they agree or strongly agree with the statement that they are able to sell enough advertising or sponsorships, or collect enough other revenue for their online news sites, to pay for most or all of their expenses.

Multiple times during the focus groups, site publishers told stories about the challenges of attracting advertisers or of even knowing how to approach online

advertising. A few site publishers had offered high commission sales rates yet failed to retain salespeople or see good results.

“I kind of picked my rate card out of a hat and by looking at what other hyperlocals are doing in other cities,” said one focus group respondent. “I’m not confident it’s the right value. I’m not confident I’m telling the right story to potential advertisers.”

In particular, the emergence of both TribLocal, a network of community-centered online sites for various suburban communities, offered by the *Chicago Tribune*, and reverse published in the *Tribune* every week, and Patch.com, AOL’s network of hyperlocal sites is a source of concern. While local news sites may produce more engaging content, Patch.com is hiring reporters with knowledge of their communities. In addition, regional and national sites may be better positioned to sell advertising and provide deeper information about audiences.

“Large corporate ownership has potential for advantages in...serving [targeted advertising] and mining their database of user information...that I think puts [home-grown] hyperlocals at somewhat of a disadvantage,” said one focus group participant.

“They may be able to sell those ads for a lot more and do it a lot more efficiently than a hyperlocal site can do on its own...They may know more about my user than I know about my user. By the time the day is out, that represents a serious challenge for us.”

Many welcomed the prospect of an advertising co-op and any other assistance to help them generate more advertising revenue on their sites.

When identifying specific areas where foundation assistance could help them, 61% of respondents (43) said assistance forming joint advertising sales efforts with other sites might help their sustainability. Forty-one respondents (58%) said help forming an advertising co-op might help.

At least one in three respondents said that in-person business training (33 respondents), coaching (31 respondents) or webinars (29 respondents) could help them become more sustainable.

“The big challenge is that you know there is an ocean of information out there. You know there are people doing it...[but] it’s so daunting to look out there. What are the 10 fishes in this ocean I need to pick in order to be successful? I’m not afraid to experiment. If there could be a database or a person to go to for training...that would help,” said one focus group participant.

Foundation Funding

Given that 25 percent of sites in the survey currently receive foundation funding, a substantial minority of respondents view foundations as a future funding source for their websites as well. And when identifying specific issues where foundations could

help, 70% of respondents identified help with making connections with funders as assistance that could contribute to their sustainability.

One in three (24) said they agree or strongly agree that they are actively seeking foundation funding for their websites. One in five (15) agreed or strongly agreed with the statement that they will be able to run their sites primarily with foundation funding for the next two to three years.

Discussions from focus groups yielded an array of opinions about foundation funding. While some participants either had or had sought foundation funding for their work, all recognized the challenges in obtaining it. Some participants perceived that foundation funding requires personal relationships they do not have. While this survey sought to gauge needs apart from operating support, many survey respondents and focus group participants expressed hope that foundations continue to provide operating support to online news sites.

Investor Funding

While only 3% of survey respondents have investors or venture capital supporting their sites, a larger number are interested in private investment. Fifteen percent of respondents (11) said they are seeking venture capital or other investors for their online news sites. One in 10 said they could sustain their sites with venture or investor funding over the next two to three years. And 45 respondents (63%) said that foundations could help make their sites more sustainable by helping them make connections with investors.

“Investors are a much better bet for me. Investors typically have a much more dollars-and-cents thinking than foundations,” said one focus group participant.

While a smaller number of focus group respondents expressed interest in venture funding, those who did noted that investors could place stresses on the businesses they support.

One focus group participant who had received investor support for a prior venture noted that “investors put an unbearable amount of pressure on me to turn a profit for fast return....It’s a difficult model.”

Information and Connections

From a business standpoint, survey respondents said they would greatly value help making connections with each other, with other Chicago entrepreneurs and with developments in their field.

Forty-three respondents (61%) said that help connecting with other Chicago-area entrepreneurs might help their sustainability, and 39 respondents (55%) said regular meetings with their peers to share best practices might help.

When asked who he turns to when dealing with a problem or challenge, one focus

group participant said his peers are his best source of information. “There’s this gang of people—we know each other, see each other and talk about this stuff. We feel like we’re on bleeding edge kind of things....Nobody else gets what we’re doing.”

Thirty-four respondents (48%) said a regular newsletter with news and tips about business issues might help their sustainability, and 25 (35%) said a resource center to call about business issues might help.

Table I: Business Needs Prioritized	
<i>Types of Needs</i>	<i>Definitely or may help with sustainability: Percent</i>
Help making connections with possible philanthropic funders	70%
Help making connections with possible investors	63%
A joint ad-sales effort with other similar sites	61%
Help making connections with other Chicago-area entrepreneurs	61%
An advertising cooperative	58%
Regular meetings with other site operators to share best practices	55%
A regular newsletter with news and tips about business practices from similar sites	48%
In-person training about business/revenue issues	46%
One-on-one coaching, as needed, about business issues	44%
Webinars or other online training about business/revenue issues	41%
A resource center to call with questions about business issues	35%
The ability to share back-office operations (payroll, office space, advertising, taxes, etc.)	11%

Technology Needs

Both in the survey and in the focus groups, online site operators did not identify technology issues as paramount to their sustainability. While they can be time-

consuming and challenging, technology issues do not seem as vexing as business issues do.

Less than one in four (15 sites) make use of mobile technology and platforms. Help adopting mobile technology was the technology assistance respondents most frequently requested: 31 respondents (44%) said help with mobile might help their sustainability.

More than half said they could find answers to their technology questions (47 respondents) and that they feel comfortable making technology decisions (43 respondents). Thirty-three respondents said they know what technologies to adopt to make their websites better, and 30 respondents said it is easy to find technology consultants for their websites.

WordPress is the most popular content management system used by survey respondents: 24 respondents (34%) publish to WordPress. Thirteen (18%) report using content management systems provided by a site host or web firm, and 6 sites apiece (8%) report using Blogger and Moveable Type.

When examining challenges posed by technology, 37 respondents said technology issues take more time than expected, and 16 respondents said they worry technology issues could keep their site from being financially successful. Thirty respondents (42%) said technical consulting or coaching on technical decisions might help their sustainability, and 26 respondents (37%) said training on technical issues might improve their sustainability.

While many focus group participants expressed a wish for more technologists in the Chicago area, several others said they have few or no problems identifying potential solutions to technology problems. Twenty-nine survey respondents (41%) said a list of preferred Chicago technology consultants might help their sustainability, and 20 respondents (28%) said promoting Chicago as a place for technologists to live might help as well.

<i>Service</i>	<i>% who say definitely or may help sustainability</i>
Help adopting mobile technology	44%
Technical consulting or coaching to help make good decisions about technology (such as choosing a content management system)	42%
Creation of a list of preferred Chicago technical consultants	41%
Training on technical issues (specify most needed below)	37%

Promotion of Chicago as a place for technical specialists to live	28%
Shared hosting platforms at lower cost	24%

Editorial Needs

In the focus groups and survey, online news publishers did not identify news content as a major issue affecting their sustainability. However, they identified opportunities to share content, share news ideas and tips, and tap into a fund for investigative reporting as services that could help their sustainability.

While more than one in three respondents said training for reporters, editors and citizen contributors might help make sites sustainable, this was among the lower-rated items in terms of help with sustainability.

During focus groups, participants held lively discussions on the role of paid journalists versus citizen contributors for online news creation. Citizen contributors help uncover new and different stories about a community—stories that are rarely told otherwise—but site publishers are cognizant of the time and editing care often required with content from citizen contributors as well as the situations where it is unrealistic to expect citizen contributors to cover stories (such as regular beat reporting). Site publishers have found they “pay” for content, one way or another: through salaries or fees, or through their own time in editing and review.

Table III: Editorial Needs Prioritized	
<i>Service</i>	<i>% responding definitely or may help sustainability</i>
Help creating content-sharing partnerships where logical	65%
Meetings with other news producers to share ideas and tips	62%
A reporting fund for investigative stories or important community issues	61%
Newsletter detailing best practices being used at similar sites	56%
Training for your editors	45%
Access to legal assistance for Freedom of Information Act/libel issues	45%
Training for your reporters	42%
Training for citizen contributors	37%

Visibility Needs

Both in focus groups and in the survey, online news site operators cited problems with their lack of visibility. While they said the people they cover find online news sites' content credible, survey respondents and focus group participants both noted that people do not know—or understand—what they do. The results were wide-ranging: fewer readers and fewer advertisers, investors or funders.

Sixty-two percent (44 respondents) said that many members of their site's target audience do not know about their website, and 55 respondents (77%) said greater visibility would lead to higher traffic to their site.

Forty-two respondents (59%) said that greater visibility might lead to foundation funding, and 39 respondents (55%) said greater visibility might allow their sites to attract more advertising. Thirty-one respondents (44%) said greater visibility might lead to investors in their site.

Respondents identified several possible services to address visibility problems that might help their sustainability, especially with potential funders or investors: creation of a road show or some other event for site publishers to meet funders (41 respondents, 58%); holding an event to raise the overall visibility of online news sites (41 respondents, 58%); creation of an awards program to recognize excellence in local online news (38 sites, 54%), and an e-newsletter (42 respondents) or news site (38 respondents) that spotlights the best news and features from online local news sites.

Four in 10 sites report that neither advertising agencies nor local businesses understand what their sites do and who their audiences are. One in three sites reported that if they understood their own audiences better, they could do a better job attracting advertisers and produce a better news site. Forty-one respondents (58%) said that assistance helping them conduct and understand market research about their users could help their sustainability. Thirty-seven respondents (52%) said that help framing the benefits of supporting home-grown hyperlocal sites could help.

During the focus groups, Mayor Michael Bloomberg's announcement inviting technology startups to skip Silicon Valley and come to New York drew praise. "Bloomberg a couple of months ago planted a flag in the ground: 'This is the land of new media,'" said a focus group participant.

"I thought, I sure wish our mayor would have done that. It helps people within Chicago who are doing world-class work and the people who aspire to be. It would be nice to be recognized by our government....Bloomberg did a really good job."

Table IV: Visibility Needs Prioritized	
<i>Services</i>	<i>% responding definitely or may help sustainability</i>
A regular RSS feed or weekly e-newsletter of the best news and features from local online news sites	59%
Creation of a road show or some other event for site publishers to meet funders	58%
Creation of some type of event or activity to raise the overall visibility of online news sites	58%
Assistance helping site publishers use market research about their users	58%
Coaching or training on public relations or marketing	54%
Creation of an awards program to recognize excellence in local online news efforts	54%
A new site that would spotlight the best news and features from local online news sites	54%
Regular reporting about notable developments in the area's online news ecosystem	54%
Assistance in framing the business benefits of supporting home-grown hyperlocal news to local businesses and local advertisers	52%
Creation of a road show or some other effort for site publishers to meet investors	46%

Training and Consulting Needs

Survey respondents rated training in building audiences, driving traffic, seeking grants and using metrics most highly; however, more than half of survey respondents said they would be very or somewhat interested in all of the training options included in the survey.

<i>Table V: Training / Consulting Needs Prioritized</i>	
<i>Topics for training or other business help</i>	<i>Very or somewhat interested: Percent</i>
Building audiences	90%
Driving traffic	89%
Seeking grants	80%
Using metrics	80%
Using social media	77%
Seeking advertising	73%
Seeking subscribers	69%
Building memberships	66%
Seeking investors	65%
Developing event revenue	62%
Building sales of goods or services	56%

Attitudes Toward Issues Facing Online News Sites

We also asked a series of questions to flesh out the attitudes of online publishers to various issues affecting the future and performance of online news. The results are summarized in the following table.

Table VI: Attitudes Toward Issues Facing Online News Sites	
<i>Statements</i>	<i>% who agree or strongly agree</i>
If I had more visibility, I might be able to attract more traffic	77%
I can find answers to my technology questions	66%
Many members of my target audience do not know about my site	62%
Even if my site does not pay for itself, I will continue to run it	61%
I feel comfortable making technology decisions	61%
If I had more visibility, I might be able to attract foundation funding	59%
If I had more visibility, I might be able to attract advertisers	55%
Technology issues take up more time than I expected	52%
I am confident I will find ways to financially sustain this online news site over the next 2-3 years	51%
Business issues take more time than I had expected	48%
I know what technology I should adopt to make a better online news site	46%
Advertising agencies do not understand what I am doing and who my audience is	44%
If I had more visibility, I might be able to attract investors	44%
I find it easy to find technology consultants for my website	42%
Local businesses do not understand what I am doing and who my audience is	42%
If I understood my visitors and audience better, I could produce a better news site	37%
I am actively seeking foundation funding for my online news site	34%
If I understood my visitors and audience better, I could make a more compelling case to advertisers	34%
I worry that technology issues will keep my online news site from being financially successful	23%

I am confident I will be able to run my site primarily with foundation funding for the next 2-3 years	21%
People I cover (local government officials, etc.) do not know about my site	20%
Today, I am able to sell enough advertising or sponsorships, or collect other revenue for my online news site, to pay for most if not all of my expenses	15%
I am actively seeking venture capital or other investors for my online news site	15%
People do not assume my content is credible	11%
I am confident I will be able to sustain my site with venture or investor funding for the next 2-3 years	10%

CHAPTER TWO: POSSIBILITIES AND PRIORITIES FOR HELP

Once we established the highest-priority needs in each area, we then asked survey respondents to indicate the relative value to them of various programs or services that might be provided to help them. Respondents were given a list of 10 types of assistance and were asked this question: “There are many general categories of assistance funders could provide. Please tell us whether any of the following types of assistance would be valuable to you in building your site and its sustainability.” They were given a choice of five answers: very valuable, somewhat valuable, not very valuable, not valuable at all, and not applicable to me. Here are the results:

Table VII: Priorities for Types of Assistance	
<i>Options</i>	<i>% responding very or somewhat valuable</i>
Offering regular opportunities for media and technology innovators to share ideas and network with each other	86%
Continuing research into the characteristics and needs of the online news sector and news audiences in the Chicago area	80%
Scanning the media landscape for interesting developments and sending you information about what others are doing elsewhere	76%
Providing technical assistance with organizational issues, technology or fundraising	70%
Doing things to give more visibility to Chicago innovators, such as regularly chronicling your efforts or promoting your appearance at national meetings	70%
Creation of a center or institute designed specifically to help people like you	68%
Providing training for you, your staff or other contributors	62%
Providing one-on-one consulting services as needed	62%
Helping you and others band together to share office space, form business or advertising cooperatives, or share back office services	51%
Helping nonprofit organizations become better media makers	35%

Services that respondents rated as “very valuable” or “somewhat valuable” were ones that help online news publishers talk to each other, learn about new developments, obtain help with pressing issues and gain more visibility. Interestingly, all but one option (helping nonprofit organizations become better media makers) was rated as very valuable or somewhat valuable by at least half of respondents—indicating a strong desire for and receptivity to a variety of types of help.

Three items topped the list, with more than half of all respondents indicating that they would find these services to be very or somewhat valuable:

- Offering regular opportunities for media and technology innovators to share ideas and network with each other;
- Continuing research into the characteristics and needs of the online news sector and news audiences in the Chicago area;
- Scanning the media landscape for interesting developments and sending you information about what others are doing elsewhere.

Then, in each section of the survey (business, technology, editorial and visibility), after we asked about their specific needs in that area, we asked them to rank a series of specific activities. The rankings from all those different possibilities have been combined into this chart, to give an idea of the relative importance of the many various specific actions that could be supported to help online site operators. Here are the results:

<i>Table VII: Prioritizing Specific Ideas for Assistance</i>	
<i>Services</i>	<i>% responding definitely or may help sustainability</i>
Help making connections with possible philanthropic funders	70%
Help creating content-sharing partnerships where logical	65%
Help making connections with possible investors	63%
Meetings with other news producers to share ideas and tips	62%
A reporting fund for investigative stories or important community issues	61%
A joint ad-sales effort with other similar sites	61%
Help making connections with other Chicago-area entrepreneurs	61%
A regular RSS feed or weekly e-newsletter of the best news and features from local online news sites	59%

Creation of a road show or some other event for site publishers to meet funders	58%
Creation of some type of event or activity to raise the overall visibility of online news sites	58%
Assistance helping site publishers use market research about their users	58%
An advertising cooperative	58%
Newsletter detailing best practices being used at similar sites	56%
Regular meetings with other site operators to share best practices	55%
Coaching or training on public relations or marketing	54%
Creation of an awards program to recognize excellence in local online news efforts	54%
A new site that would spotlight the best news and features from local online news sites	54%
Regular reporting about notable developments in the area's online news ecosystem	54%
Assistance in framing the business benefits of supporting home-grown hyperlocal news to local businesses and local advertisers	52%
A regular newsletter with news and tips about business practices from similar sites	48%
Creation of a road show or some other effort for site publishers to meet investors	46%
In-person training about business/revenue issues	46%
Training for your editors	45%
Access to legal assistance for Freedom of Information Act/libel issues	45%
Help adopting mobile technology	44%
One-on-one coaching, as needed, about business issues	44%
Technical consulting or coaching to help make good decisions about technology (such as choosing a content management system)	42%
Training for your reporters	42%
Creation of a list of preferred Chicago technical consultants	41%
Webinars or other online training about business/revenue issues	41%
Training on technical issues	37%
Training for citizen contributors	37%

A resource center to call with questions about business issues	35%
Promotion of Chicago as a place for technical specialists to live	28%
Shared hosting platforms at lower cost	24%
The ability to share back-office operations (payroll, office space, advertising, taxes, insurance, etc.)	11%

CHAPTER THREE: OBSERVATIONS FROM OTHER REGIONS

As part of the research on the needs of the online news sector in Chicago, Community Media Workshop interviewed online news publishers in other regions, including Seattle, Minneapolis/St. Paul, the San Francisco Bay Area and St. Louis. The Workshop and The Chicago Community Trust will publish case studies from these regions separately later this year.

Here are observations from these interviews that relate to the needs of the online news sector in Chicago.

Revenue

While there is not one formula for successful revenue—and generating revenue continues to be a challenge for most online news sites—sites have employed several approaches to increase revenue and become more sustainable:

- MinnPost has seen success selling advertising, which, along with sponsorships, makes up about 25% of revenue, by hiring a veteran of online advertising for sales and by providing both “a good environment” for the advertiser and a high level of customer service, according to CEO and Editor Joel Kramer. MinnPost earns another 35% of its revenue from memberships and an annual donor event, a Gridiron-style dinner run mostly by volunteers.
- Capitol Hill Seattle’s Justin Carder sends advertisers a monthly e-newsletter as part of the site’s relationship-building efforts. Advertisers “don’t live on the Hill and don’t really read the site the way my users do,” he said. “We try to tell them what we’ve done recently and why they should be part of the experience.”
- Sacramento Press’s Ben Ilfeld looks for multiple revenue streams to support the startup, including an advertising co-op for Sacramento local sites, social media consulting for businesses, and street team operations. Likewise, Oakland Local’s Susan Mernit is working with the Sacramento Press to launch a Bay Area ad network and also will provide training and web/advertising services to local businesses.
- Michael Stoll of SF Public Press says the site will not take advertising due to the site’s mission to produce investigative journalism. Instead, the site has focused on keeping an extremely low overhead and relying upon funding from the San Francisco Foundation and individual member donors, as well as fundraising campaigns for investigative projects on Spot.Us.
- St. Louis Beacon is about to begin a multiyear project to become a more sustainable organization, according to founder and editor Margaret Wolf

Freivogel, in order to gain more diverse funding sources. Currently, the site funding comes mostly from St. Louis-area donors and foundations, she said.

Audience Measurement and Engagement

Gathering information about their audiences and then creating lasting relationships and engagement with them is a key part of sustainability for several news sites. In many cases, sites focus on the characteristics of the visitors they attract as much as the absolute numbers.

Several sites say they fulfill an audience need that was not always met even during the heyday of print news, which is to provide their audiences with coverage of the neighborhoods and communities where they live. In particular, Twin Cities Daily Planet seeks to expand the coverage of neighborhoods “historically neglected” by the media, including immigrant communities and low socioeconomic status communities, said Editor Mary Turck. Twin Cities Daily Planet provides news from these communities through a combination of partnerships with ethnic media, citizen contributions (some paid, some unpaid) and contributions from local organizations.

Oakland North—a Ford Foundation-funded hyperlocal news project of the University of California-Berkeley’s journalism school—and the Sacramento Press both built community engagement into their plans. Oakland North, before launching, talked with the community to understand what community members wanted from local news. Sacramento Press launched as a beta site covering a small area of Sacramento.

In addition to relying upon Quantcast data about its visitors, MinnPost has surveyed its audience to provide advertisers a more complete demographic picture about its audience. In thinking about the value of their audience, Kramer says the site focuses on visitors who visit at least twice a month, as those visitors view more pages and are more likely to be local.

As part of its sustainability campaign, the St. Louis Beacon seeks to explore ways to use technology to bring content and features of the Beacon to users wherever they are and to encourage their audience to find and engage with relevant content. “At this point, we see ourselves as a kind of engine of community engagement, with issues a means by which people understand what’s going on in the region,” Freivogel said. Likewise, the Sacramento Press has experimented with alternative ways to present the information on their site to help visitors make connections between relevant content to them.

Many sites interviewed hold or sponsor events as a way to create engagement and foster relationships between the site and its visitors and among visitors themselves.

CHAPTER FOUR: RECOMMENDATIONS

The emerging online news sector in Chicago is a rich and diverse array of sites focusing on original news, aggregation and community engagement. These sites support themselves through a variety of sources: foundation or investor funding, subsidies from print or broadcast revenue, advertising and, in many cases, the personal resources of site publishers.

Below, we recommend a range of services, tools and training that could help a broad base of online news sites become more sustainable. At the same time, we encourage funders to continue to make strategic investments in the operations of promising emerging news projects, especially those engaging in new models or providing news to underserved areas or about uncovered issues.

We also have outlined one way in which many of these services can be delivered—the creation of a center to support online news in Chicago. However, we believe the center is just one way, not the only way, funders could support the needs of this exciting and emerging sector—one that is critical to the continued civic health of the Chicago region.

Michele McLellan’s essay (page 11) provides additional national perspectives on the needs of the emerging news sector.

Fulfilling Needs

Help online news sites sell advertising and generate other sources of revenue

If the biggest obstacle for many site publishers is finding revenue, for many sites, increasing advertising is the logical first step. For others, though, advertising may never support their editorial needs, but a donation-based revenue model or forms of consulting may help support sites.

Online news sites—especially neighborhood-based sites—have unique challenges in selling ads because national ad services such as Google AdSense often provide such a low cost per impression while many local businesses do not often buy online local advertising.

As national outlets like Patch.com break into hyperlocal news, they bring large national costs but perhaps higher potential to support local news with advertising revenue.

WBEZ, WindyCitizen and GapersBlock have started to work together on ad sales. And The Chicago Community Trust has held preliminary meetings with local site

operators and has been gathering proposals from consultants who might be engaged to further develop the possibility of creating an advertising network. It is not yet clear whether such an advertising network would work. But serious efforts are underway to answer that question. However, not every site publisher who participated in focus groups indicated they would join an advertising co-op, in part because some publishers feel the need to sell advertising locally as a service to businesses in their communities.

Foundations could help online news sites find ways to generate more revenue by supporting the following services:

- Support local publishers in efforts already underway to create an advertising cooperative or network, possibly including a feasibility study, development costs, enabling technology, market research, initial customer service investments and initial marketing;
- Help publishers who do not join the network explore models for sharing advertising sales staff; understand how to better sell advertising on their own; or understand how they can improve the content or presentation of their sites to better support standard advertising formats;
- Help sites (either in or not in the network) keep advertisers informed about the reach and engagement of their audiences and talk about the business values of their sites;
- Through training or consulting, help sites that may never break-even through advertising alone discover whether a small-donor revenue base or some form of consulting can lead to sustainability.

We suggest funders undertake a deeper study of planned ideas for advertising co-ops to determine where their resources can have the greatest impact in the future.

Help online news publishers understand, grow and talk about their audiences

Some of the most valuable assets of online news sites are their relationships with—and engagement with—their audiences and readership. For online news publishers, difficulties understanding and growing their audiences—such as the ways audience members stay informed and use technology—result in lost opportunities to reach likely readers and users. At the same time, not being able to quantify and understand audiences makes it difficult (perhaps impossible) for publishers to sell advertising on their sites.

In this arena, while size matters greatly, it's not just all about size: Helping to communicate the value of a small but passionate audience, and helping a site grow not only new users but also ones who are as engaged as existing audiences, are important factors to improving the vitality of an online news site.

Some Chicago online news sites, especially neighborhood news sites, pose both challenges and opportunities: Sites can deliver a highly focused and engaged audience but not always a large one.

The services foundations could provide to help online news publishers understand, grow and talk about their audiences include:

- Training and assistance conducting market research about their audiences and in understanding metrics;
- Help preparing advertising packages about their audiences and in communicating to advertisers about their audiences;
- Access to and briefings about data from national studies or studies of other regions about audiences and their needs;
- Training in social media and in-person efforts to grow site audiences and increase engagement on their sites;
- Training in building subscriber or donor bases and in generating revenue from in-person events;
- Cooperative discussions about ways to learn from audiences and share best practices in both audience engagement and advertiser engagement.

During the focus groups, news site publishers showed tremendous willingness to work collaboratively on issues, learn from each other and receive training as a group. However, this is an issue where it's worth discovering whether site publishers would prefer to engage in aspects of this work confidentially.

Recognize and reward the work of online news sites

With a news ecosystem in Chicago of more than 100 very active sites, it can be difficult to keep track of who is doing what type of work and who is doing it well. Foundations can support a number of programs that can shine a light on the good work of individual sites on an ongoing basis. While the NEW News series of reports keeps track of the number and variety of sites, publishers asked for additional research into the sector as well as ways to reward good work and methods for spotlighting the best work.

Foundations could support specific services or programs that could recognize and reward the work of online news sites, including:

- Development of an annual awards program to recognize excellence in online news in Chicago; Support of a regular online widget, e-newsletter, RSS feed or website that showcases the best reporting and analysis produced by the online news sector, promoted both to people producing online news and to a general readership in Chicago;
- Continued research into the number, quality and activities of the online news system in Chicago, especially those that attempt to identify and reward high-quality news.

There are a few matters to keep in mind when considering this work. The first is to recognize that the Chicago online news system already aggregates and shares work amongst its readers and that new tools and services should work alongside existing efforts, rather than replace them.

Second, the definition of excellence will require discussions and input from online news sites themselves. Online news sites represent a variety of models as to what is news, who is a journalist and what the future of news should look like. Being explicit about the criteria for awards and the criteria for highly rated online news sites in research will continue to be important.

Build opportunities for better relationships between online news sites and potential funders

Online news sites perceive that obtaining foundation or investor funding is not solely the result of doing good work. It also requires that foundations and investors be familiar with their work as they apply for funding and that they not learn about a project for the first time when receiving a funding application.

Foundations, acting in their capacity as conveners and with an interest in expanding their knowledge of the field, could help bridge the gap here, while establishing ways to expand their own knowledge of the field in a more systematic and less time-intensive way.

Foundations could support specific services or programs to help improve the relationships between online news sites and potential funders or investors, including:

- Organization of demonstrations, road shows or periodic meetings between site publishers and funders so that publishers and prospective funders can get to know one another and gain insight into each others' priorities;
- Scanning the investor community in Chicago to see if there is interest in supporting online news sites and, if so, what information they would want or need to know about current properties;
- Technical assistance and training in writing grant proposals.

There are a few unknowns when considering these services. First, it is important to manage expectations about the amount of philanthropic or investor support that might be available for online news. Even if current foundation support for news quadrupled, it could not possibly subsidize the full costs of even a fraction of the sites now out there. Thus, foundation funding needs to be seen as a possible component of a site's revenue, but not the entire solution. It's unrealistic to think that foundations can underwrite the costs of all news sites that might have merit in the region; there are too many other worthy priorities for limited philanthropic dollars that also compete for attention and money. So, while we believe it is better for online news sites to get to know foundation staff and vice versa, we want to make sure online news sites retain a clear and consistent picture of the future funding path for online news as well as any strings attached to foundation funding. Likewise, we want to make sure online news

sites have a realistic picture of the investment opportunities available as well as understand the demands that investor and venture capital can place on their efforts.

Help online news publishers to network, share content and learn from each other

In both focus groups and our survey, site publishers valued opportunities to learn from each other and share strategies, best practices and content, where appropriate. Providing ways to facilitate that collaboration could help improve the sustainability for the online news sectors.

Foundations could help support networking in the online news sector by supporting the following activities:

- Help create templates and opportunities for sites to establish content-sharing relationships where logical;
- Support regular meetings with other news producers to share ideas and tips;
- Publish a regular e-newsletter or blog detailing best practices of online news sites, either in Chicago or across the nation;
- Manage an online news site, e-mail alert, RSS feed or widget that spotlights the best news and features from online news sites;
- Promote other venues for online news publishers to network, such as NetSquared Local's Net Tuesdays monthly Chicago meetups.

Support an investigative reporting and community issues reporting fund

Investigative reporting projects are one of the most important public service projects online news sites can undertake, but they require time and expertise that can take small publishers away from day-to-day reporting. Through sites such as Spot.Us, a Knight Foundation-funded project that supports fundraising for investigative reporting projects in California, and Kickstarter, a group fundraising platform for creative projects that journalists have used, people and communities have been able to help support their own investigative projects and have proven that investigative projects do not always require large dollar amounts.

Foundations could foster investigative reporting and community news series by supporting an investigative journalism fund, similar to the one established in Philadelphia by the William Penn Foundation, to help encourage investigative reporting and collaboration among online news to cover issues not addressed in daily news reporting. Likewise, Twin Cities Daily Planet supports a small fund to report stories jointly with ethnic media.

Along with financial support for investigations, a community issues or investigative reporting fund could support assistance with Freedom of Information Act requests and other types of assistance needed to cover community issues.

Increase the visibility of the online news sector and its needs with regional economic development and opinion leaders

Chicago's online news startups have roles to play in supporting the information health of the Chicago region and in contributing to its overall economic vitality. Civic leaders can help make Chicago an attractive place for startups like these—and also think about how addressing issues that affect online news startups might have larger benefits to the community as a whole.

For example, some online news publishers believe Chicago continues to suffer from a technology brain drain that makes it difficult for news sites—and possibly other emerging businesses—to find the technology expertise they need to grow.

In some ways, the web makes this problem easier to solve: Technology resources can be anywhere. Making Chicago a more attractive home for young technologists may accelerate innovations in the online news space as well as having lasting impact far beyond the news sector.

Foundations could help address this problem by efforts that:

- Communicate the innovation of Chicago's online news sector to opinion leaders and its importance as an industry to support through local civic action;
- Support campaigns to promote the attractiveness of Chicago as a thriving place to start new businesses or for recent college graduates seeking technology careers.

Other sector needs may turn out to support wider-ranging needs of the Chicago regional economy. While exploring and supporting issues like these will merit further study, they may create opportunities to bring together alliances to support regional action on economic development issues.

Stay informed and engaged about the impact of national policy on local online news

Changes on the national landscape could affect the future of Chicago's online news ecosystem of homegrown startups. A guest essay in this report by Justin Massa touches on one of those issues: net neutrality, the concept that Internet service providers should not favor one type of content over the other when serving requests from users.

As net neutrality principles run into the expansion of mobile broadband and other issues, foundations should bear in mind that homegrown online news sites are ones that could be affected by changes in telecommunications law and regulation on this front. Foundations could and should remain engaged with issues like these and use opportunities to inform civic groups and others of the issues related to net neutrality and its impact on informed and engaged communities.

Ways to Fulfill Needs

Create a one-stop center or help desk for the needs of emerging news providers

Online news publishers would benefit by having a more robust stream of individual and organizational help in answering their questions and addressing their needs. In the survey, most site operators were unable to mention even one organization to which they turn for assistance. Only Community Media Workshop garnered more than a couple of mentions. And in focus groups not everyone was aware of the resources that are available to assist in sorting out legal issues or to assist with Freedom of Information Act requests.

Creating a center to focus on the needs and growth of online news publishers could be an efficient way to provide a number of the services and kinds of assistance in which site publishers express great interest. Such a center could help them with business, technology, editorial or other questions so they can use their time and energies more efficiently, stay informed about latest trends and work collaboratively.

A center is one way—though not the only way—to help support many of the recommendations made in this report. Such a center would provide additional connective tissue to the online news community, offer a balance of its own resources and technical assistance as well as referrals to national or already-existing resources, and track the issues that perplex online news sites in order to help spot resources to assist the field.

Foundations could help create and support a center that would provide some or all of the following services:

- Make it easier for online news providers to stay informed about the field, perhaps through an E-newsletter or blog with tips, latest research on audience information, best practices and news you can use from national resources such as the The Poynter Institute, Nielsen Journalism Lab, the Reynolds Journalism Institute and the John S. and James L. Knight Foundation’s journalism projects and programs; and through periodic educational programs;
- Raise the visibility of online news efforts:
 - Publish a frequent e-newsletter, blog, RSS feed, widget or regularly updated website showcasing the best online news;
 - Develop an awards program;
 - Conduct or coordinate continued research into the online news sector in Chicago.
- Foster better relationships between online news publishers, funders, investors and entrepreneurs:
 - Facilitate the creation of an advertising network of local sites;

- Create opportunities for online news publishers to regularly connect with and learn from each other;
 - Coordinate opportunities for them to meet with funders, investors and other Chicago entrepreneurs;
 - Organize regular group discussions among news publishers;
 - Create templates or opportunities to help publishers enter into content-sharing partnerships.
- Serve as a source of training or referrals for technical assistance:
 - Offer or connect local site operators to training in business, technology, editorial and Web issues, in person or online;
 - Create and manage a list of vetted technology vendors and consultants;
 - Refer sites to organizations that can provide Freedom of Information Act assistance and legal assistance, such as the Chicago-Kent College of Law Center for Open Government and the Citizen Advocacy Center;
 - Connect online news sites to advertising and business sustainability consultants;
 - Connect organizations with help writing grant proposals.
 - Study, write about and promote the work of Chicago's online news pioneers, in print and online, and at local and national gatherings. More exploration is needed about the types of resources that a center could offer and at what subsidy.

Support training for emerging news sites, especially in business and audience issues

Online news publishers in Chicago are often, but not always, writers first and business people second. Training may be able to help site publishers define revenue models, support advertisers and develop audiences.

Foundations could help by supporting a suite of training services on the following topics:

- Building audiences, understanding metrics and driving traffic to their online news sites;
- Using social media;
- Increasing revenue through advertising, subscribers, memberships, consulting, product sales, or event revenue;
- Seeking grants and writing effective grant applications;
- Seeking investor capital.

ESSAY: THOU SHALT NOT PLAGIARIZE OR INVENT QUOTES

*By Jessica Rosenberg
Patch.com, Burr Ridge*

I graduated from journalism school at a time when the prospect of a no-newspaper town seemed very real in Chicago. We all know the story: The *Chicago Tribune* and *Chicago Sun-Times* had filed for bankruptcy, neighborhood papers were folding, and layoffs in every sector of the economy happened daily. The saving grace, for journalism at least, was the internet. The ability to publish virtually for free and reach almost everyone almost everywhere made the internet an attractive home for journalism.

At the start of graduate school, teachers developed our basic reportorial skills and stressed the importance of telling the truth, always. But toward the end of school, classes focused more on online publishing, blogs, video and social media than on the skills of the traditional newspaperman. As the market and my class offerings changed, I realized in order to have a chance in this cruel market, I had to know a little bit of everything. It was no longer enough to be a good writer and know how to conduct an effective interview—I had to do it all.

So I went the multimedia route. By the time I earned my master's degree, I could record and edit audio and video and write a knockout piece of journalism to upload to my personal blog.

Eventually, this set of skills brought me to Patch. Patch is online hyperlocal news. Select communities around the country have their own unique Patch websites. A local editor who generates content specific to that community manages each site.

Throughout the day, a combination of news, opinion, video and photo is uploaded to the site. I am the local editor for suburban Burr Ridge and, like other local editors, I am a team of one working from my home. Patch is owned by AOL and each month they give me a freelance budget with which I am to hire reporters.

With all the out-of-work journalists, I thought finding reporters would be easy. Boy, was I wrong.

Finding candidates with social media and blogging skills has been easy. These days, they're a dime a dozen. Finding candidates with a few video and photo skills has been fairly easy, too. While these skills are valuable in themselves, they don't necessarily make one a journalist. The definition of what constitutes a journalist is in flux, but there are certain skills that are non-negotiable. For example, it's been

difficult finding a candidate who can actually write well, interview and uphold some kind of journalistic integrity (like thou shalt not plagiarize or invent quotes) in addition to being a little web-savvy.

What's even more surprising—and frightening—is that many of these applicants are young and some even have degrees in journalism. When I learn a candidate's reporting has been inaccurate or they prefer to do interviews via e-mail, I get scared for the future of journalism.

Has the demand for multimedia news taken away from the craft of writing and the importance of accuracy? Do they not teach writing and ethics in j-school anymore?

I wish that in learning to be an all-purpose, multimedia journalist, aspiring reporters would also learn how to write beautifully (not text-speak, but write). I wish the next generation of reporters would learn that an e-mail interview never takes the place of a phone call or a knock on a door. I wish that teachers and mentors would incorporate the importance of being ethical into their lesson plan on editing digital video.

This recession has forced many people to return to basics. I feel the same shift needs to happen in the journalism industry. Online journalism is here to stay, and it is important to know the multimedia skills required to work in the industry. However, it seems that the rush to adapt has undermined the essence of journalism. I would love to see a revival in creative writing for journalists at the university and continuing education level, or an increase in workshops that focus on interviewing strategies and what it means to be ethical—because some people seem to have missed that lesson. What's more, I would love to fill the open positions I'm offering at Burr Ridge Patch with clever and trustworthy reporters.

ESSAY: WHY IS THE INTERNET SO SLOW? ***THE IMPORTANCE OF NET NEUTRALITY TO HYPERLOCAL JOURNALISM***

By Justin Massa
Director of Project and Grant Development
Metro Chicago Information Center
(www.mcic.org)

Imagine if, when shopping for appliances, only GE microwaves could nuke your food on high power while other brands could only operate at 75 percent. Or, imagine if only calls from certain telemarketers rang through to your mobile phone while your friends had to pay an extra, per-call fee in order to reach you. Sounds crazy, right?

Unfortunately, there are a growing number of major corporations lobbying for just this approach to data on the internet.

Telephone and power lines are, in a word, dumb. They don't pay attention to who is using them for what purpose or what devices they are connected to, only that the user has paid the bill. Until very recently, the internet operated in much the same manner; while your specific connection speed might vary based on your individual plan, the actual content that came to your device and the specific make/model of your computer, phone, radio or car didn't matter. All websites loaded at (roughly) the same speed and you have been free to connect any device to the web. This is the core tenet of net neutrality: your connection to the internet should be 'dumb' and deliver whatever content you request to whatever device you use at the same speed, regardless of what the content is.

But this principle has recently been called into question by both the courts and major corporations. In April, the U.S. Court of Appeals ruled that the Federal Communications Commission (FCC) does not have the authority to regulate an internet provider's network management practices and policies; in short, the FCC can't enforce regulations to protect network neutrality.

Then, in August, Google and Verizon released "A Joint Policy Proposal for an Open Internet," laying out a set of seven principles they believe should guide federal regulation. In their proposal, there is a clear distinction between the rules for "wireline" and "wireless" services. While wired broadband access (such as through a cable modem or an office's network) would be governed by a weakened set of network neutrality principles, wireless broadband—which includes every connection to the web from a mobile phone—would only be required to disclose the exact nature of their services and would be allowed to control how fast various services were able to communicate data back and forth. Under their proposal, Verizon would be able to allow, for example, *USA Today* to display stories three times as fast as the *Sun-Times* in a mobile web browser, for the right price.

University of Illinois at Chicago Prof. Karen Mossberger’s research highlights the importance of network neutrality over wireless broadband for hyperlocal journalists in Chicago. In her “Digital Excellence in Chicago” report for the City of Chicago, she writes, “Over a third of Chicago residents have accessed the internet through some type of wireless device, and the concentration of such use among residents under 30 suggests that this trend is likely to increase in the future, especially with advances in technology.”

As the Workshop’s NEW News report suggests, the vast majority of Chicago’s neighborhood news sources are passion projects and few are generating much revenue. And, as we all know from our own internet use, speed is everything: waiting too long for a page to load simply means you will look elsewhere for the information. If wireless broadband providers are allowed to require that hyperlocal journalists pay for top-tier access—fees that many likely cannot afford—the inevitable result will be fewer sources for neighborhood news.

APPENDIX I: ACKNOWLEDGEMENTS

“Realizing Potential” would not have been possible without the support of those who lent their time, energy, and expertise to its creation. In particular, we would like to thank the many journalists and online news providers whose insights and candid responses to the survey we administered are at the heart of this report.

Those responsible for producing this report are:

Research and writing: Emily Culbertson
 Publisher’s introduction: Thom Clark
 Editors: Thom Clark, Nora Ferrell
 Design and production: Tuan Do
 Guest essays: Justin Massa, Michele McLellan, Jessica Rosenberg
 Data and content review: Vivian Vahlberg

Community Media Workshop would also like to thank the many local online news providers who participated in the focus groups that helped inform the findings in this report:

Patrick Boylan, Chicago Bulldog Media
 Ralph Braseth, Loyola University/Adentro de Pilsen
 Sally Duros, Blogger
 Mike Fourcher, *Center Square Journal*
 Andrew Huff, Gapers Block
 Sara McElemurry, Latino Policy Forum
 Richard McGinnis, *Conscious Choice*
 Ethan Michaeli, *Residents’ Journal*
 Toure Muhammad, *Bean Soup Times*
 Glen Reedus, SouthSNews.com
 Steve Rhodes, *The Beachwood Reporter*
 Ernie Sanders, Greater Auburn Gresham Development Corporation
 Bill Smith, *Evanston Now*
 Gordon Walek, Local Initiatives Support Corporation

Community Media Workshop would also like to acknowledge the assistance and insights of several other people, without whom this report would not be possible:

Barbara Beck: Sage Communications
 Justin Carder: CapitolHillSeattle.com / Neighborlogs.com / instiads.com / seattleindieads.com
 Margaret Freivogel, St. Louis Beacon
 Richard Koci Hernandez and Kara Platoni, Oakland North
 Josh Kirschenbaum and the Bay Area staff of PolicyLink, Inc.
 Allison Kelsey, Economy League of Greater Philadelphia
 Ben Ilfeld, Sacramento Press

Joel Kramer, MinnPost
Fred Mann, Robert Wood Johnson Foundation
Susan Mernit, Oakland Local
Michele McLellan, Knight Foundation
Michael Stoll, SF Public Press
Mary Turck, Twin Cities Daily Planet
John Van Hecke, Minnesota 2020

And, of course, the Community Media Workshop also thanks its lead funder for “Realizing Potential” and “NEW News 2010,” The Chicago Community Trust and its Community News Matters program, spurred by a lead grant from the John S. and James L. Knight Foundation’s Knight Community Information Challenge, which seeks to increase the flow of truthful, accurate and insightful news and information in the region and spur development of new business models for news.

The Knight Community Information Challenge is a five-year, \$24 million effort to help community and place-based foundations find creative ways to use new media and technology to keep residents informed and engaged. The Trust received one of the Challenge’s first matching grants.

APPENDIX II: METHODOLOGY

In August 2010, Community Media Workshop assessed the needs of the Chicago online news ecosystem using a variety of methods.

In early August, the Workshop facilitated three focus groups with a cross-section of online news site publishers and journalists. The Workshop did not pay focus group participants but did offer them a meal during the groups.

Later in August, the Workshop fielded a survey to assess needs of online news publishers, contacting more than 1,000 people, in its search of site publishers. The Workshop received 80 respondents. It removed nine responses, including: 1) duplicates 2) ones from people who do not have an active website or 3) ones from a national online news site, which is outside the scope of this report. The Workshop tabulated results from the remaining 71 sites.

The survey data has the following limitations.

- For some questions, sites could choose more than one response, so percentages may not add up to 100.
- Not all participants answered all questions.

Finally, the Workshop conducted interviews with site publishers outside of the Chicago area. These will form the basis of case studies to be published in the fall of 2010.

