

ART & MEDIA FILES **Spot.us: A Case-Study of A New Business Model for News and its Implications for Journalists**

This paper looks at crowd-funded journalism, one of the newest alternatives for funding the news during a time when traditional journalism in the U.S. is facing an economic crisis. Here, we examine the case study of Spot.us, the first crowd-funded online site specifically dedicated to news. This paper focuses on the implications of this new business model for journalists who have been able to use it for their work. A qualitative interview approach was used to garner empirical evidence about crowd-funding. The context for this work is situated within the changes to flexible labor as described by David Harvey.

She became known by mainstream media outlets and journalism blogs as the “Garbage Girl,” and Laura Hoshaw said she didn’t have a problem with the moniker¹. Hoshaw’s pitch to the online, crowd-funded journalism organization Spot.us was for \$10,000. Her goal was to pay for a trip on a boat to investigate a large patch of “garbage” the size of Texas in the Pacific Ocean.

Hoshaw’s efforts on Spot.us to raise money online for her reporting got a boost from a column by the public editor of the *New York Times*, Clark Hoyt², who noted that her efforts were part of a new way to create “stream of money” for embattled news organizations. Donations flowed in to Hoshaw, and her story appeared in *The Times*.

At a time when the traditional news industry in the U.S., the U.K., and across much of Western Europe faces serious challenges, many are looking for new business models for news³. Crowd-funded journalism is one such new model. Spot.us, the first entry into online crowd-funded news, acts as a platform that connects journalists’ pitches, or story ideas, with a larger public. Spot.us’s model was seen as so groundbreaking that in 2008, it was a winner of the prestigious Knight News Challenge, a five-year \$25-million contest to fund news innovation. Most discussions of new business models have taken place at the macro-level, addressing how the news industry might be transformed, this paper dials back some of the conversation about new news business models to focus on a more micro-level analysis. This paper specifically considers the journalists who have successfully used crowd-funding in order to understand the strategies, opportunities and challenges they face. The paper explores the following questions: When crowd-funding (via Spot.us) works, how does it affect the labor processes of journalists? How do journalists understand the new dynamics of the market for crowd-funded work and their professional identities?

Crying out for New Business Models

Most of the thinking about new business models focuses on trying to find a more robust way for traditional models of news-gathering to survive such as through subsidies, non-profit models, paywalls for access to news sites and endowments. However, Spot.us is different. Founder Dave Cohn draws inspiration from Obama’s model of crowd-funding, where many small donors came together online to fund more than half of his campaign with donations of under \$200 each⁴. Crowd-funding is a variant of crowdsourcing, where “instead of raising the money from a very small group of sophisticated investors, the idea of crowd-funding is to *obtain it from a large audience* (the ‘crowd’), where each individual will provide a very small amount”⁵. Popular online models elsewhere include Kickstarter, often used for creative projects, and Kiva, used for small NGO efforts. But Spot.us was the first news venture into this model. To be clear: crowd-funding is getting small payments from a wide distribution of people, many of whom may not donate.

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Professionalism, Post-Fordism and Spot.us

From a theoretical vantage, Spot.us provides an entry-point to consider the relationship between work and professional identity; the market for journalism is weak and when journalists have to think about their own roles perceptions as they navigate this uncertain environment.

One way to look at these changes is within a much broader context about changes in post-modernity and the resulting transformations in labor conditions as a whole. In what Harvey⁶ has described as the “post-Fordist” world, workers have an unsteady income because traditional institutions are no longer bulwarks of capitalist certainty. In a Fordist world, workers were paid a living wage through which they could then participate in the excesses produced by the market.

But in a post-Fordist economy, companies (and the larger institutions they represent) are destabilized. We see, for instance, the gradual erosion of the manufacturing sector in the West. There is increased flexibility in the labor process, labor markets, products and patterns of consumption. For journalism, we see some of these changes taking place on a grand scale. Flows of capital to media organizations are no longer secure, especially as readers flock online and revenue streams dry up. The result for the individual laborer, as Sennett⁷ also explains, is profound. More and more people are flexible workers, with jobs that have variable hours and paychecks. They are unattached to traditional companies. Large numbers of journalists working for traditional news organizations can no longer rely on their newsroom for a secure job. In the digital age, more and more journalists work outside the traditional system and structure of the large news organizations, in part thanks to expansion of the networked public sphere⁸. This is the case for Spot.us.

Spot.us

Spot.us was founded in 2008 when David Cohn won the first Knight News Challenge, though as of today it is part of the American Public Media, a U.S. public radio network. By June 2011, Spot.us has produced approximately 200 stories and raised \$243,000 for journalism. It has generated stories that have appeared in *The New York Times*, *Miller-McCune*, *McSweeney's* and many alternative weeklies and local nonprofit news outlets and currently has 105 publishing partners. The Spot.us site can be viewed from two perspectives: as a reporter and as a reader and/or potential donor. A reporter looking to pitch a story on the site must fill out a brief profile listing their background and their story idea/pitch. The reader or donor may use the site for news and learn about stories they might be interested in seeing by making small contributions, which may be funded either through taking surveys or through small donations.

So far there have been over 11,000 contributors to stories.

Spot.us provided us with a dataset with pitch headlines that contained 106 pitches in total submitted by 83 unique reporters from the period of October 2008 to March 2010. Out of the 106 pitches, 47 reached their fundraising targets. Out of the 83 unique reporters, 37 reached their fundraising targets for the first pitch they ever put up on Spot.us. From the 37 journalists who reached their fundraising targets, we found 34 working e-mail addresses or Twitter handles, and these reporters were then e-mailed with an interview request. Twenty-two reporters agreed to interviews. Participants are only identified here by the date of their interview⁹.

Our focus here is on the people who were able to successfully use the crowdfunding method and their experiences with this new business model.

Semi-structured qualitative interviews were conducted. Questions were adapted as interviews continued, based on the grounded theory method of qualitative interviewing¹⁰. A qualitative thematic analysis was conducted to find common themes, which were organized into broader categories¹¹, such as opportunities, strategies for funding, and difficulties with Spot.us.

ART & MEDIA FILES **FINDINGS. Doing Something New and Getting The Funds**

One of the most optimistic trends observed in the data was the fact that that many journalists felt that Spot.us provided them with the opportunity to write stories that other news organizations were not interested in funding. As a result, they could touch on topics that were not being covered by mainstream media but were still interesting enough to the Spot.us community of readers.

For instance, one veteran, but part-time, freelance journalist from California noted: “Generally I am doing stories on Spot.us that the *L.A. Times* isn’t interested in doing. [...] If they wanted to do it they would do it themselves. [...] They don’t cover South L.A., much less poor people or African Americans”¹². Here, this journalist is raising a critique about mainstream institutions, but the comments also reveal how this news would not have been possible without crowdfunding.

As a corollary to this new market for stories, Spot.us also provides a new entry point for many journalists to get started on their careers. Since anyone can be a Spot.us reporter, the public gets to decide on whether a journalist’s qualifications merit their donation. As a result, some people have found that Spot.us is an entry point to a more regular stream of freelance jobs. One journalist explained, “I didn’t have a huge amount of regular gigs, and Spot.us was available to get me a word of mouth reputation. [...] It is a good place to get started professionally”¹³.

The hope is still the traditional freelance model. Nonetheless, these findings speak to the openness created by this new model. The flexible worker choose his or her own stories without worrying about a newsroom’s editorial priorities, and he or she can have a shot at attracting public support regardless of prior journalism experience.

One of the challenges Spot.us journalists faced was asking for money to get their stories funded. For many, this meant putting time that they would have spent reporting the story (or pursuing other stories at the same time) into fundraising. Journalists said they didn’t like asking for funds for three reasons: first because it wasn’t what they saw as their jobs, second because some saw it as having unintended ethical consequences, and third, because they felt guilty about tapping out their social networks to raise funds. Journalists said they were frustrated by the prospects of getting cash from individuals for their stories. A junior journalist put it this way, “It’s a little like pan handling,” and it “feels very desperate [to have to do this]”¹⁴. A veteran journalist said: “I don’t want to go out and campaign to write a story. [...] That’s a pain in my ass and not what I want to do. I am a journalist not a fundraiser [...] but what choice do you have in the current milieu?”¹⁵. Other journalists underestimated how much time fundraising would take. Second, many journalists were disinclined to think of themselves as so directly connected to the business end of their work product. A more senior journalist put it this way, “[Asking for money] was the awkward part of it for me. [...] There were supporter comments that went with each donation. If someone’s interested, I don’t want to know what side of the issue they are on”¹⁶.

Therefore, getting funded reveals a number of important findings. First, journalists feel like fundraising is both uncomfortable and not what they expected to be doing as journalists. Second, fundraising makes journalists directly aware of who their donors are, and as a result, makes them especially on guard about potential ethical breaches that could result from appealing to donor interest.

The labor process is more open in crowdfunding, but it also demands new types of skills. Journalists are “reskilling” for this crowdfunded model, learning how to fundraise and how to promote their stories to the public before they are written—though at this point, for many, fundraising stops at their social networks. As a result, the market certainly leaves them vulnerable as flexible laborers not to traditional organizations but perhaps to something more fickle: the generosity of their friends, their social media networks, and the interests of Spot.US readers.

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One of the adjustments journalists had to make was how to calculate just how much their labor was worth. Notably, Spot.us standards are not calculated the way most freelance wages are — which are per word — as Spot.us tries to give reporters a guideline for fundraising time as well. Traditional rates are based on output per word, and don't take into account reporting. Based on our findings, it seems that the different methods for calculating rates meant that most journalists did not feel that Spot.us had compensated them as a traditional employer might have.

Some journalists said they had not taken into account the work that would go into promoting the story in addition to the reporting when they set a story price.

One journalist explained how he figured out his rate: He calculated the barebones for flights, hotels, gas, and an hourly rate. An experienced freelancer, he noted that he depended on this kind of income to pay his rent, and he was really asking the minimum he could for the story. Initially, he did not get many donors at all for his \$4,000 pitch, but he was able to use Spot.us to attract the attention of a major magazine, which then funded the story¹⁷. Another less experienced journalist said that that calculations about transportation and costs of reporting never entered into her fundraising goal, just what she was hoping to earn — “but I probably should be thinking about that”¹⁸. This means that unlike traditional freelance contracts, where these costs would be expensed, they may unintentionally be borne by the reporter.

In fact, the market was perhaps even more unstable for journalists via crowdfunding. As one journalist put it, “I asked for what I might have expected for funding in the old economy — a dollar a word— but I reduced my expectations quite a bit”¹⁹. This comment reflects that this journalist was unable to get the kind of support that she would get even in a traditional freelance market from crowdfunding. These fundraising concerns could be explained by a number of factors: that journalists are not efficient at harnessing funds; that journalists simply haven't figured out how to balance fundraising into their traditional work practices; or that crowdfunding simply doesn't pay enough, regardless. Crowdfunding was never intended to be the entire solution to the problem of funding the news. Nor was it intended to be a single supplement for a freelancer's income. These journalists may be frustrated because now that they have to work perhaps even harder to get money for these stories. But Spot.us is supposed to function as an alternative marketplace, and the experiences of these journalists suggests that although Spot.us facilitates a new marketplace for stories, in the eyes of many journalists interviewed, the price the public is willing to pay is much lower than what traditional institutions pay for newswork. Thus, journalists might get into a difficult position as they struggle to figure out an appropriate price to charge for their labor: They might price their stories based on a figure that is likely to get funded versus the costs of their labor.

Crowdfunding and the Post-Fordist Economy Reconsidered

Crowdfunding through the case of Spot.us illustrates the vagaries of being a flexible worker in a post-Fordist world. There are ways in which putting a pitch up on Spot.us gives journalists both more and less control over their own fate. On one hand, journalists can pitch stories that they really want to do — stories that do not have to go through the traditional gatekeeping of a mainstream news organization. This is freeing and allows journalists the flexibility to make choices about what to cover and how to cover it. The journalist can choose how much reporting to share with the public and how much to engage with potential donors.

On the other hand, journalists have a lot less control over their own work conditions. Journalists can set the price for their work, but there is no guarantee that they will be able to raise the money.

In the past, there was a flat no from an editor, and the journalist moved on, but now there is considerable ambiguity about whether a story will get published — a decision left up to the whims of the public.

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Journalists rely on their own networks across social media hoping for funding or an e-mail from Spot.us pumping the story, and so they may be working on the story without any assurance that they'll be fully compensated for their work. Similarly, journalists have to be directly engaged as fundraisers, selling their work. This reskilling is indicative of the challenges of a post-Fordist economy, but for many journalists, these new responsibilities are uncomfortable. They represent a distinct shift from the way that journalism has, in their minds, always been done — and represents a “new milieu” where more work is required for mere survival.

Crowdfunding is an important business model for us to understand, especially though its pioneering iteration with Spot.us. It teases out some of the difficulties of working as a journalist unaffiliated with a large institution at this time. And, significantly, looking at how journalists experience new business models brings some grounding and perspective to the much larger macro-level debate over the future of journalism. Crowdfunding is an alternative that has great potential, but journalists must learn to adapt to the new dynamics it demands of their work practices and their expectations.

The Future of Crowdfunding

The future of crowdfunding remains hazy. Spot.us was acquired by American Public Media, one of the public radio broadcasting networks in the US. So far, we have seen only a few examples of robust a crowdfunded site to scale that has been able to generate sufficient micropayments for news alone. We know less about why readers choose to fund stories. Two initial studies by Jian and Usher²⁰ as well as Aitamurto²¹ suggested a few reasons why. Jian and Usher found that readers were more likely to support news that told them more consumer-related information; information about their daily lives rather than information about news and politics. This, though, told us what kind of information they might fund and less about donor motivations. Aitamurto's small sample of donors suggested that donors feel personally invested in stories, interested in the reporters, and interested in the topic. But we don't know whether this will translate on scalable initiatives.

Andrew Sullivan, a British-born well-known U.S. politics pundit, tried to make his site *The Dish* sustainable through micropayments from readers. Paul Farhi²², a Washington Post reporter, explained the experiment: “In effect, Sullivan established a “tip jar” format, with readers volunteering to pay him \$19.95 a year.” This is not a subscription because it is not required to access the content; there is no paywall; instead, Sullivan is relying on a series of crowd payments from fans with the hope that it will support his site. Sullivan notably does not take any advertising at this point and *just* takes this form of funding. However, Farhi hypothesizes that Sullivan's brand of assertive writing and commentary — and moreover, his personal brand—has made it such that he may be able to sustain his work. Sullivan has enough name recognition to prompt people to pay for his content simply because they like him and want to keep reading him, and do not want him to fail. Other prominent bloggers have not generally followed this model. So far, he has gotten 34,000 subscriptions and raised closed to a million dollars.

Much closer to the Spot.us funding model is Beacon. This site is a clearing house for journalists who may then write for any outlet. Beacon is premised on the idea that “loyal readers will pay for writers they like”²³. Beaconreader.com says “Fund one writer for \$5 a month, get access to every story on Beacon”. The idea is that one can fund a single writer with a small donation, helping to pay both for reporting costs and living costs. Beacon, which has tried to amass a staff of talented writers, will make Beacon a clearing house for what these writers produce in one central place. Recently, they have made it possible to fund particular projects through small amounts. Some of these projects are small journalism non-profits simply hoping to get off the ground. The hope is that through a combination of small payments from ordinary people who believe in this work, the sites will be able to marshal this crowd funding with grants, corporate sponsorships, and other efforts.

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The issue with all of these sites is scale. Are there enough donors to support the activities of making journalism? As we noted here, these journalists are not nearly making enough money for the hours that they work. Some of them are very highly skilled at what they do. Paying for the project and paying for a living wage may not be possible unless you are a recognizable name with a wide readership like Sullivan. And as we have seen, crowdfunded sites tend to also be an open space for new journalists to try out their skills and learn. As a result, it may be that these journalists might have difficulty attracting donors because of their lack of name recognition. Beacon promises to have experienced journalists working for them, but the question remains that if these journalists are so well-known, why might they need Beacon? Thus, from what we have learned, crowdfunding is only one way to think about journalism's new business model. We have to think about the opportunities and the challenges when it comes to funding journalism in new ways. For one, we need to question the sustainability of a piece-by-piece payment system. Going back to a supply of donors may be difficult story after story, no matter how much the journalist is liked or admired. Getting paid a sufficient amount for effort may not be possible or sustainable for the journalist to do this kind of work. Attracting experienced journalists may be difficult, though given the uncertainty of the traditional journalism economy, this may be one small measure. The future remains to be seen about whether crowdfunding can be scalable across a variety of contexts. Regardless, we must consider the professional identity and the effects on labor conditions for the journalists.

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End Notes

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