

# Crowdfunding and journalism: The ins and outs of audience financing

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**Abstract**—In an uncertain environment for media companies, we believe that one of the key elements for their future is to develop strategies to fully-engage the audience, gain their trust and their participation in journalistic goods. Along with this, it seems desirable to set up transgressors models in which journalism is conceived not as a business but as a service to the community. The phenomenon of the crowdfunding can be highlighted here, in which citizens fund media formulas through micro donations at the time they claim a type of journalism that will act as an organic public service, free of economic and political interests. Very likely it is the critical audience who can better capture and release a new public journalistic culture. The fans that enable the publication of new media through donations also represent their own subcultures, habits and practices based on the relationship they built with the media and their texts. Once identified some of these most successful approaches in Spain (although it is still quite a minor trend) and the United Kingdom, in the present paper we have analyzed the experiences of this media when fragmenting the roles of professional and non-professional profiles involved in the journalistic creation process, conducting in-depth interviews with their creators and managers. The data have been completed by an analysis of the quality of the content posted by such this media financed by citizens. Through the integration of quantitative and qualitative methodology a greater scientific verification was achieved in the study. The results show that in the short to medium term donations are not the salvation of the media, but these initiatives can reflect that the final role of the media transcends the business concept, as they gain in quality in terms of proximity to the subject that interests their audience.

**Keywords**—Crowdfunding, citizens, audience, media

## I. Introduction: definition and functions

Online news site design has undergone dramatic transformation over the past few years as news organisations across the board have rushed to exploit the full potential of new multimedia and interactive features. This shift of emphasis, which has had an impact on the entire sector, has boosted reader participation and loyalty and spurred the production of exclusive content.

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Various factors have played a decisive role in this metamorphosis. On the one hand, technological advances have provided a lifeline for news organisations attempting to ride out a crisis provoked by a progressive loss of readers, radio listeners and television viewers and shrinking advertising revenues. On the other, a strong commitment to technology-based features has supposed an exponentially greater level of interactivity between news outlets and their audiences. As Sánchez & Palomo (2014) have pointed out, 'in a context marked by the financial and credibility crisis of the industry, innovation, as a philosophy or strategy that leads to a better service, responsiveness to audiences and, therefore, an increase in sales or users/followers', is, as Pavlik (2013, p. 190) has observed, 'key to the viability of news media'.

The various novel approaches to journalistic production related to the concept of collaborative journalism (Marchionni, 2013) that have emerged during this period from crowdsourcing to co-creation (Aitamurto, 2013) all share a common objective: stimulating user engagement and ensuring user loyalty. The most outstanding of these new ideas being implemented is crowdfunding, a mechanism conceived to fund a wide range of projects by means small financial contributions from a vast number of donors that, as Burgueño (2011) points out, is a fusion of the participatory philosophy of social networking and creative methods for online public fundraising. By means of this system, any interested individual can, through his or her personal donations, contribute to the development of innovative projects 'aligned with a culture of commons and a new form of sustainable economy' (Magallón, 2014 p. 68).

The first successful examples of this method of financing date back to the end of the 1990s, a time when the music and film industries were developing alternative web-based funding formulas such as online microfinancing and P2P loans, even though the schemes implemented then involved microloans rather than donations. Online public fundraising began to gain serious traction over the course of past five years with the emergence of two phenomena: social networks, which have played a crucial role in promoting and generating support for funding campaigns (Agrawal, Catalini & Goldfarb, 2013), and the ever-growing number of online platforms specifically created to link up project promoters with individuals who could be interested enough in a proposal to make a small financial contribution towards its realisation (Sánchez & Palomo, 2014). Some authors also attribute the growing importance of crowdfunding to other factors such as the negative economic climate, technological innovation and the latter's impact on society (Rodríguez de las Heras, 2012). The decrease in available credit and public investment provoked by the economic crisis as well as falling advertising and content revenues have forced many project promoters to seek alternative sources of financing (Cea, 2013) in tune with the emerging culture of collective collaboration.

Be that as it may, according to the 2015CF – Crowdfunding Industry Report, 16.2 billion dollars was raised by this means in 2014, a healthy 167% increase over the previous year's total. Innumerable start-ups have been launched thanks to crowdfunding, a phenomenon that Altabás (2013) qualifies as 'a discovery of a new commitment to the public' in the sense that this model 'turns them into investors of the project, transforming the traditional figure of the viewer in a passive role and nurturing new and future financial relationships that map out a positive path for the cultural industry in general'.

Crowdfunding does more than allow promoters to connect with audiences with audiences from the outset of a project – a make-or-break factor for all media enterprises (Chisholm, 2010). It also provides them with a mechanism for offering donors something in return for their contributions, a gesture that strengthens their emotional commitment. Such rewards may take the form of an explicit acknowledgement posted on the funding platform or inclusion in a list of credits published elsewhere.

## II. Crowdfunding platforms and initiatives in Spain and elsewhere

Although the vast majority of generalist platforms accept proposals for journalism-related initiatives, promoters seeking money for this kind of project can also mount campaigns on any of a growing number of sites specifically devoted to the sector. One example is Información Sensible, which was launched in 2013. The Guardian stands out amongst international media corporations for its strong corporate commitment to innovation, reader engagement and technology. One of the Guardian Media Group's most recent initiatives in this area was an experimental online community platform called *Contributoria* created specifically to promote the public funding of quality news writing. In line with the initiative's main objective, which was to improve the visibility and financial viability of journalists' work, revenues generated in the form of membership fees were distributed by means of a sharing scheme that benefited both participating authors and the community and funded articles published on the *Contributoria* website remained available for re-use through Creative Commons licensing.

The Guardian has also participated in other initiatives exploring the possibility of financing journalism through crowdfunding, one of which was a collaboration with Kickstarter launched in June 2014. Kickstarter, which is the world's most successful fundraising platform in terms of capital raised, has a funding category exclusively devoted to journalism. Of the projects that have attracted the highest levels of funding on this site, two particularly stand out: 'The Island of Widows', a piece of investigative journalism about a mysterious epidemic that is claiming the lives of thousands of agricultural workers in Central America and Matter, an independent long form digital journalism project focusing on issues related science and technology.

Early crowdfunding sites launched in the United States include Spot.U.S., a pioneering platform created with a \$340,000 grant from the Knight Foundation in 2008 that

championed the slogan 'journalism is a process, not a product'. Conceived as a means of promoting public support for the work of journalists and newsrooms, this site was acquired by America Public Media's Knight-funded Public Insight Network in 2011. Similar crowdfunding platforms launched in other countries include GoJournalims (Canada), YoucommNews (Australia), J'aime l'info (France), Emphas.is (Great Britain), Krautreporter (Germany), Nieuwspost (The Netherlands) and Youcapital and Pubblico Bene (Italy).

New crowdfunding sites designed to support financing campaigns for a wide array of enterprises and projects are cropping up every day. Some of them focus exclusively on socially oriented projects mounted by non-profit organisations (usually NGOs), associations and individuals. Others specialise in projects that give donors a return on their investment. As contributions in these cases are treated as injections of capital, supporters become partners or shareholders of the projects they back. Most promoters, however, tend to offer small non-monetary rewards to those who help finance their projects.

Lanzanos and Verkami, two pioneering sites founded in 2010, operate on the latter basis. The first focuses on entrepreneurship and socially oriented projects and the second has been instrumental in financing a new generation of micromedia, reports, investigative journalism and other innovative initiatives that lie beyond the present scope and interest of large media corporations. Some of the initiatives in the second category have offered journalists who lost their jobs due to staffing cuts or the closure of organisations they worked for a fresh start in the sector. Many staffers of the online news site *La Marea*, for example, are journalists who lost their jobs when the newspaper *Público* ceased publishing a print edition. It can be theoretically assumed that crowdfunded news organisations are exempt from the financial pressures under which their conventionally funded counterparts suffer and thus enjoy a greater margin of editorial freedom (Sánchez & Palomo, 2014). The development and exponential growth of alternative financing mechanisms such as crowdfunding can be attributed to socioeconomic factors that have provoked a need to find new sources of working capital and a widespread desire to dependent less on financial intermediation services (Best, Neiss & Jones, 2012).

Goteo is another platform responsible for a high volume of online fundraising activity in Spain. This site, which provides support for the development of local projects throughout the country, was founded to promote initiatives that generate collective rewards and foster the development of open code and/or free knowledge. Its open model, which is based on digital culture principles such as horizontality, reproducibility and the commons and designed to appeal to the microdonor driven by a social or personal interest in a given proposal rather than the expectation of a monetary or material return, fosters the development of networks and virtual communities as well as sustained interaction between promoters and donors throughout a proposed project.

### **III. Digital publications that have mounted successful campaigns on Spanish crowdfunding platforms**

Crowdfunding has become a fixture of journalism. Platforms focusing exclusively on this sector provide independent journalists with a means of funding specific projects. Writers seeking funding post funding targets and descriptions of the topics they would like to address in a special report, news story or other format. People interested in the concept then respond by making personal financial contributions toward the realisation of the proposal. This type of interchange offers journalists attempting to make a living out of their profession some compensation for their work.

During the first stage of this study, we identified media enterprises that had launched successful community financing campaigns via crowdfunding sites based in Spain. This was accomplished by means of a systematic search of three such platforms: Goteo (Goteo.org), Lánzanos (Lánzanos.com) and Verkami (Verkami.com). The first two were chosen for having pioneered the concept in Spain and the third for having the greatest number of potential donor users.

The search was then narrowed to publications (digital or print) that have produced at least three issues. Audiovisual media such as radio and television were not considered. Searches were conducted on each of the three selected sites using the key words 'periodismo' (journalism), 'prensa' (press), 'revista' (magazine) and 'diario' (newspaper). Only news organisations whose funding goals had been reached by April 10, 2015 (and which were therefore financially prepared to implement proposed projects as of that date) were included in the study sample.

All of the community funding projects identified during this research had been launched by generalist publications that offered coverage of at least two or three areas of interest. This study therefore has not addressed publications specialising in a single topic such as culture, sports, art or finance.

The search yielded a total of 18 projects meeting the above-mentioned criteria, all of which had achieved or surpassed their funding targets by February 8, 2015.

### **IV. Results: shared characteristics and differences**

The teams behind the majority of the successfully crowdfunded projects in the sample were composed of seasoned journalists. CTXT, for example, was founded by former employees of a number of top European newspapers who decided to create their own organisation out of a desire 'to exercise their profession with total freedom'. The same can be said of the editors of *El Hurón*, who all have extensive experience in investigative journalism and several of who have served as correspondents for the Basque language magazines *Ardi Beltza* and *Kale Gorria*. *El Hurón's* editorial board is made up of writers, actors and

university professors and also includes a mathematician, an economist and an essayist. Its director is a professional journalist. This publication also features the work of the well-known cartoonist and graphic artist Tasio. Staffers of other community-funded publications included in the sample have more specialised backgrounds. The team behind *Reacción!* is a mix of social commentators, political cartoonists and graphic artists, experienced journalists, photographers and social workers. This composition reflects the group's core objective, which is to work with street people and involve them in the production of the publication. Content featured in *Reacción!* addresses issues such as inequality, poverty and suffering rooted in social problems.

*La Marea* is a publication launched by *MásPúblico* Sociedad Cooperativa in the wake of the financial failure of *Público*. Its workforce includes over thirty professional journalists who previously worked on the print edition of that newspaper. *La Marea* pursues a democratic, progressive and socially oriented model of journalism based on a collaborative relationship between its professional staff and a large number of *Público* readers who have decided to provide financial support for the new venture. The core team behind *Negratinta*, which is composed of professional journalists (one of whom, Pablo Sierra, holds the position of editor), historians and IT specialists, works hand in hand with dozens of collaborators who have followed the project's progress since its inception as a digital publication. The workforce of *Números Rojos* includes journalists and IT experts whose ample experience includes stints with a variety print publications that range from generalist daily newspapers to specialist magazines. Generally speaking, most of the publications examined during this study were produced by activists and communications professionals seeking to develop a model of journalism based on the concept of cooperation and free of the control of political and moneyed interests.

The majority of the crowdfunded publications in the study sample place a strong emphasis on substance, a prime example being CTXT, whose main objective is to provide context for major news stories. Others that have taken a more activist standpoint on social issues such as *El Hurón* and *Números Rojos*, grew out the frustrations of news professionals who 'don't want what they produce to be treated like a merchandise' and see journalism as a way of participating in the struggle for liberty and social justice. These individuals describe their work as the outcome of 'an allergic reaction to manipulation' and, as such, an homage to freedom and a humble attempt to employ journalism as a tool in the struggle for equal rights and opportunities for all. Others, in contrast, frame the varied content they offer from a unifying perspective rather than focusing on a single theme. One example is *Pikara Magazine*, whose articles address a broad range of social topics from an almost invariably feminist perspective, an approach that distinguishes this publication from most others being produced in print and online.

Almost all of these start-ups seek to practice a more deliberated form of journalism and reject the breakneck pace and lack of interest in contextualisation that characterises the vast majority of media organisations today. *Tercera Información* and *Reacción!* are independent, democratic, counter-hegemonic and horizontally structured organisations

devoted to an alternative, social form of journalism. The latter is heavily committed to the concept of self-management. The stated mission of El Diagonal is to be the voice of those who fight to improve social and labour conditions on a local, national and international scale. *Vía52* (no longer operating as of October 24, 2015) was created as a response to a sector crisis that left a vast number of journalists who had much to offer in way of experience and ideas without professional opportunities, an imperative that inspired the creation of many organisations founded during this period. *Vía52* viewed its website as a potential laboratory of journalism and sought to explore new formats and financing options.

*Tercera Información* started out with a less formally organised team composed of voluntary contributors, a *modus operandi* that allowed it to explore issues mainstream media organisations controlled by private conglomerates seldom or never address. It launched a crowdfunding campaign in order to finance the salaries of a full-time paid workforce and redesign its website. *La Crónica del Pajarito* used crowdfunding to finance design adjustments to its website needed to enhance user experience, provide broader coverage of events and issues of interest to the chronically underprivileged and others hit worst by the financial crisis and incorporate additional expert opinion writers on a range of topics.

Although the crowdfunded publications examined organise the content they publish in a variety of ways, the majority have established thematic and geographic sections. The navigation bar of *El Hurón* features two main drop-down menus. The first divides content geographically into the following sections: Spain (containing five subsections for Andalucía, the Basque Country, Galicia, Catalonia and the rest of the country), Europe (containing two subsections covering Germany and the rest of the continent), Latin American and the Caribbean (containing ten subsections linked to news related to Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Nicaragua, Paraguay and Uruguay) and 'Rest of the World' (containing links to subsections devoted to The United States, Morocco and Palestine). The second breaks down published content thematically into a series of subsections devoted to human rights, corruption, the monarchy, repression, racism, social movements, political parties, government, feminism, class struggle, economics, labour issues, environmental issues, animal rights, liberation movements, the Catholic church, culture, humour and opinion.

The sections featured in *Reacción!*, a digital journalism project launched by *Fuseres*, a social advocacy network based in San Carlos de Bariloche, Argentina, correspond to that group's initiatives and activities, which include *AME Bolivia* (a humanitarian medical assistance programme in neighbouring Bolivia), *Comunicación Social Fuseres* (its communications platform), cultural activities (travelling exhibitions, a film forum, tutorials) and voluntary work it carries out jointly with various humanitarian organisations. *Negratinta* used a crowdfunding campaign to cover the costs of launching a print edition that covers topics ranging 'from water polo to the latest political developments in Spain' and features prologues by writers such as Manuel Vilas (winner of the most recent General of '27 Poetry Prize), articles by a team of Mexican writers coordinated by filmmaker Alejandro Cárdenas that offer a fresh perspective on that

Latin American country, photographs by the prizewinning Finnish photojournalist Meeri Koutaniemi and graphic humour.

*El Diagonal* divides content in several ways. Its navigation bar features a drop-down 'section' menu containing eight well-defined thematic categories: global (national and international news events and issues) *cuero* (body politics, gender issues and health), *movimientos* (social issues such as immigration from the perspective of trends and events in specific urban centres), *libertades* (struggles for human rights and freedom), *culturas* (culture), *saberes* (investigative reporting and analysis), *la plaza* (debates, letters to the editor and opinion articles) and *panorama* (in-depth features) as well as a 'local edition' section menu that offers news of interest to readers in several of Spain's autonomous communities (Andalucía, Aragon, Asturias, Cantabria and Galicia). Other types of content are distributed in sections devoted to multimedia, photography, interviews, humour and 'especiales', a category used by mainstream Spanish newspapers for articles containing multimedia elements. Other publications listed in Table 1 employ a simple home page layout that features direct links to present and past issues and other stories.

The home page of *Pikara Magazine* features links to five sections: 'cuerpos' (health, identity, emotions and sex) 'ficciones' (culture, art and knowledge), 'planeta' (ecology, solidarity, human rights and consumer issues), 'en red' (activism, networking, feminism and mass media) and 'voces' (memory, life stories, interviews and opinion).

The median amount raised by these 18 enterprises by means of crowdfunding was €15,554. The highest (€70,510) was raised by *El Diagonal* and the lowest (€1,250) by *Reacción!* By means of comparison, the most successful campaign ever mounted in Spain for the purposes of financing the launch of new publication was organised by Pedro J. Ramirez, the former editor-in-chief of the mainstream Spanish daily *El Mundo*, who managed to raise an impressive €3,606,000 for the creation of *El Español*, a new digital newspaper that went online this fall. This was the highest amount ever raised by means of crowdfunding platform based in Spain.

## v. Conclusion

The journalism sector's growing interest in crowdfunding over the past few years can be attributed to news organisations' pressing need to develop alternative or complementary business models that ensure acceptable levels of profitability and their survival in a rapidly changing environment. The majority of the community-funded ventures examined during this study were staffed by professional journalists who had previously worked for other media organisations. Notwithstanding, one of their stated objectives was to create professional opportunities for people interested in journalism, who due to market constraints or ideological differences, had never worked for traditional news organisations.

Most of the newspapers and periodicals analysed strive to provide context for news stories central to their editorial agendas and experiment with new narrative formats. The organisational structure of these enterprises also tends to be more horizontal and democratic than those of their more

traditional counterparts. Many are counter-hegemonic projects that focus on social issues and practice a socially conscious form of journalism. Their ultimate goal is to develop large cooperative networks of journalists and readers capable of supporting popular, democratic mass-circulation publications.

The next logical step in this line of research, which is to conduct in-depth analyses of a selection of the crowdfunded enterprises outlined here to determine the quality of the content they publish and whether the criteria they apply regarding quality are the same upheld by their conventional counterparts, will provide an initial response to the suggestion put forward by Carvajal et al. that further in-depth studies on the subject of crowdfunding could provide a useful basis for forecasts regarding its long-term performance (Carvajal, García-Avilés & González, 2012: 645).

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