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CROWDFUNDING AND NON-PROFIT MEDIA

The emergence of new models for public interest journalism

Miguel Carvajal, José A. García-Avilés, and José L. González

The media environment has changed dramatically in the last few years. Audience fragmentation and online advertising atomisation have transformed existing business models and put into question traditional media management practices. Now more than ever, policy makers and editors are concerned about the future of newspapers. In this changing scenario, there are new media models that attempt to promote and preserve public interest journalism. Among them, non-profit institutions and community-funded platforms are the most innovative and relevant alternatives. They promote audience involvement using what is known as crowdfunding, or they are funded by grants received from wealthy millionaires. For these new models, profit margins and income are unwelcome. Despite the fact that they could be regarded as non-business models, they are actually changing the paradigm of public interest journalism while providing fresh ideas for traditional media. The aim of this paper is to explain the nature of crowdfunding by describing the context in which it takes place and considering its impact on journalism. We have created a database to identify all the crowdfunding initiatives around the world. The results highlight the emergence of these platforms and other systems that make possible crowdfunded journalism and investigative reporting. Transparency, user involvement and control over where their money goes tend to be the success factors of these initiatives.

KEYWORDS business models; crowdfunding; media policy; new funding models; non-profit media

Introduction

The media industry is now facing one of the most important crises of its recent history (OECD, 2010). The downward turns of economies and the increasingly emergent digital ecosystem of news outlets are challenging the traditional news organisation model. Consumer news patterns have shifted dramatically in recent years. Newspapers and broadcasters in most western countries have experienced declines in circulation and viewership, while digital news consumption has skyrocketed. For the first time, online advertising spending in the United States has surpassed that of the print advertising market (eMarketer, 2010). The newspaper business was established in a specific environment that no longer exists (Picard, 2010). In addition, the emergence of applications for reading news based on new platforms such as the iPad or Kindle have increased competition and accelerated survival strategies. The digital market is fast evolving and highly disruptive for publishers. News has become a good with a zero cost, and although it was once an oligopolistic business, the news market has lost all of its

barriers to entry; anyone can happily provide content virtually for free and with lower production costs (Napoli, 2010).

Today, publishers are struggling to find a suitable business model for funding their newspapers and the large staff that is required. At the same time, digital revenues are unable to compensate the lower print revenues, so various costs are cut in order to reach profit margins for shareholders. As the advertising market disappears into a fragmented world of digital outlets and readers consume news for free, there is little if any money available to subsidise quality journalism. A lack of resources undermines reporting quality and fact-checking practices. Bureau cuts, fewer news correspondents and the abuse of information received from agencies are simply a few consequences of this situation (Brogan, 2010; Starr, 2009). The one thing that can be capitalised is the demand for news products that continue to remain scarce, such as investigative reporting. However, surprisingly, media tycoons are struggling to make their businesses profitable at the expense of investigative reporting (Steiger, 2008). Leading media outlets are still able to subsidise quality journalism because they obtain their resources from entertainment units or other non-business-related assets.

In recent years, publishers and editors from top news organisations have implemented several strategies to overcome this structural revolution. The so-called "paywall" at the *New York Times* has once again sparked the debate about news organisations charging for online content. However, the picture is bleak for those who establish price barriers since most users are not willing to pay for news they can obtain for free (Picard, 2010).

Policy makers in Western countries are very concerned about the future of journalism (Federal Trade Commission, 2010; OECD, 2010). This has once again drawn attention to the issue of public funding for newspapers, which has sparked debates between scholars, media commentators and journalists (Bollinger, 2010; McChesney and Nichols, 2010). For example, even at *The New York Times*, two financial scholars made the case for endowments that fund the newspaper industry by appealing to the welfare of American democracy (Swensen and Schmidt, 2009).

In the end, citizen journalism has not been able to become the new redemptory model that saves journalism and public opinion. User-generated content is mostly cacophonous and redundant (Díaz Noci et al., 2010), and traditional news organisations are still the gatekeepers of relevant information and establishing public agenda issues (Pew Project for Excellence in Journalism, 2010). If newspapers or traditional news organisations devote fewer resources to quality journalism, then conversations in social media will be less relevant and more superfluous.

As scholars who consider journalism to be a core institution of our democracies, this situation leads to the following questions: If newspapers lose their print-side revenue, do they have a strategy for becoming profitable and sustainable with only an online version? How do news organisations try to monetise online content? Is there another way to fund public interest journalism beyond the advertising model? Is there a solution to the economics of digital journalism other than income from print ad sales or subscribers? Are non-profit organisations the only way to fund public interest journalism? Should we research new emerging models that take advantage of digital economies for providing quality journalism?

The Emergence of Non-profit Media Organisations

Non-profit media are not a new phenomenon in the media system, and the emergence of several centres, some awarded as ProPublica, has moved the concept to the top for media commentators. Since 2000, the number of these investigative centres and associations around the world has more than doubled—from 15 to nearly 40 (Kaplan, 2007). In the United States, several investigative newsrooms and centres have been established in the last five years thanks to funds from private foundations (Drew, 2010). ProPublica's Pulitzer Prize was major news in the American media industry and it generated an increasing amount of attention, but some of those centres were established before this boom, like the Center for Public Integrity (1989) or the Center for Investigative Reporting (1977), where the California Watch (2009) is located. Nearly 80 per cent were founded in the last five years, and five of the centres are based in the United States: the Sandler family's ProPublica (established in 2008), Frontline (1983), Huffington Post Investigative Fund (2009) and the two mentioned above (the Center for Investigative Reporting and the Center for Public Integrity). Philanthropists are also focused on local journalism, and there are a few at this level: California Watch (2009), Fair Warning (2010), Investigative West (2010), I-News: Rocky Mountain Investigative News Network (2010) and Maine Center for Public Interest Reporting (2010). University-based centres are also likely sources of the most important investigative centres: the Investigative Reporting Workshop (America University, 2009), the New England Center for Investigative Reporting (Boston University, 2009), the Schuster Institute for Investigative Journalism (Brandeis University, 2004), the Watchdog Institute (San Diego University, 2009) and the Wisconsin Center for Investigative Journalism (Wisconsin University, 2009).

According to a study cited by Drew (2010), "about \$143 million of foundation money has flowed into news media enterprises between 2005 and April 2010. More than half of that has gone to twelve investigation-oriented news organisations." ProPublica has raised more funds than any other centre (\$10 million each year), and its investigative reporting has been published in US news outlets (more than 50 news organisations have published its investigations). ProPublica has agreements with some of the most important newspapers (*The New York Times*, *The Washington Post*, *Los Angeles Times*), and it conducts investigative reporting of great impact (Gulf Oil Spill, Death Investigation in America, Memorial Medical Center after Katrina, Eye on Loan Modifications, Nuclear Safety).

In the last three years, scholars have devoted a growing amount of attention to these non-profit initiatives (Browne, 2010; Downie and Schudson, 2009; Drew, 2010; Lewis, 2007). As Maguire (2009) points out, many have approached the non-profit sector as the new hope for public interest journalism. But there is some concern about "hidden agendas" in non-profit organisations due to interest from private foundations (Browne, 2010). Maguire (2009, p. 119) misses "an empirical examination of how non-profit publishers are structured, how they derive their income, and what their track record has been". Picard and Van Weezel (2008) also made reference to non-profits when they differentiated three primary forms of newspaper ownership: private ownership, publicly traded, and foundations, charitable or non-profit ownership. Others inquired about the sustainability of this model (Brogan, 2008).

As traditional news outlets devote a smaller amount of resources to investigative reporting, freelance journalists have fewer options for working on these kinds of projects and funding their costs. Aside from foundations and wealthy millionaire families, journalists can now also turn to crowdfunding. This concept helps reporters overcome

constraints by creating a platform for obtaining support from users. At the same time, users can suggest topics they believe deserve the in-depth attention from journalists, and this process may help reduce an important market failure of journalism. The term crowdfunding is famously linked to Spot.us, a community-funded platform for journalists in California. Founded by David Cohn in 2006, it became a classic in foreign studies of the crowdfunding concept.

Crowdfunding and Its Impact on Journalism

In a popular article from *Wired* magazine, Howe (2006) coined the term crowdsourcing to define the process that a network uses for obtaining resources such as ideas, solutions or contributions related to economic activities. Howe also stated that the notion of crowdsourcing has been opened to a variety of processes with one thing in common: a dependence on crowd contributions. He distinguishes four basic categories of crowdsourcing applications: crowd wisdom (collective intelligence), crowd creation (user-generated content), crowd voting (participation) and crowdfunding. Crowdfunding might also be defined as the process related to funding projects or companies using the network in order to make an open call and receive funds from the crowd.

Social networking and the Internet are at the heart of these concepts. The movement also gained speed thanks to improved micro-payment services like PayPal. The aim of crowdfunding is to gather financial resources as a small investment with no return to be produced in order to organise or carry out an activity. This concept evolved in the entertainment industry, where such platforms are famous for promoting music bands, young filmmakers or any type of artist. The deep relation with crowdsourcing also reinforces crowdfunding through the added value provided by users. It gives users the chance to participate in the creative process through voting, comments, sharing, twittering or a direct connection to creators. Indeed, crowdfunding has also been defined as the collective co-operation of online individuals who pool their money for a project or product (Belleflamme et al., 2010). From an economic standpoint, crowdfunding allows a better adjustment between supply and demand, which results in a more efficient production process (Belleflamme et al., 2010). Perry Chen, one of Kickstarter's founders, vindicates the financial perspective of the individuals who launch and fund projects on his platform. Creators attempt to generate value for the people who support them (*The Economist*, 2010).

Crowdfunding is not a donation, but it is also not an investment. The relation between creators and backers is originally new and deeply related to social networking economies. Backers always get something in return from the projects they fund; each receives rewards in exchange for the money provided. But they are not investors, as they do not generally obtain financial benefits, and they are not shareholders. Latest versions of crowdfunding platforms focus on start-up investments. They facilitate meetings between entrepreneurs and business angels, and successful projects share benefits with backers. Lambert and Schwenbacher (2010) defined crowdfunding as "an open call, mostly through the Internet, for providing financial resources either in the form of donations or in exchange for some kind of reward and/or voting rights." Lambert and Schwenbacher (2010) noted that crowdfunding initiatives structured as non-profit organisations tend to be significantly more successful than other crowdfunding platforms.

In journalism, crowdfunding platforms follow a similar process. First, journalists pitch an investigative reporting project, documentary or photography report. Users at the site sponsor them, and when journalists reach their objective, they can use the money obtained in order to work on their project. Donors or backers are compensated with either the symbolic gratitude of seeing the work published or by receiving a reward from the professional in question. Cohn (2010) distinguishes crowdfunding from micro-payments, since the defining factor is transparency and control on where the money goes. If traditional media request contributions after work has been finalised, this leaves little transparency or financial control for donors since editors can freely use the funds as they wish.

Aitamurto (2011) studied the Spot.us case in a recent article focused on crowdfunding. She defines it as a way of using collective intelligence for journalism. Aitamurto (2011) argues that the crowdfunded journalistic process creates a strong link between reporters and donors from the reporter's perspective. Crowdfunding platforms change the role of journalists in relation to audiences. Freelance journalists or stand-alone reporters are now like the emissaries of the king's court in older times. Users, or readers, are like kings eager for information that will fulfil their curiosity or help in making decisions about their lives. Crowdfunding donors have become the gatekeepers of this ecosystem. At some point, they are also promoters of investigative journalism in those cases in which they ask a freelancer to work on something or when they freely and happily choose where to invest their money.

Crowdfunding Database

In order to identify crowdfunding platforms for journalists, we have created a database containing all types of crowdfunding initiatives around the world. Between October 2010 and July 2011, we explored several sources, ranging from academic databases to search engine tools on the Internet. During this nine-month period, 77 crowdfunding initiatives were identified.

In general, crowdfunding has skyrocketed in many countries, not just in the United States. However, it is in this nation where most platforms have been established. In our database, there are cases from Argentina (two), Australia (two), Belgium (one), Brazil (six), Canada (one), United Kingdom (eight), France (four), Germany (six), Italy (three), Luxemburg (one), Norway (one), Portugal (one), Spain (six), Switzerland (two) and the United States (29). Most of the initiatives identified are not pure examples of crowdfunding since some are related to similar concepts such as crowdsourcing, pre-ordering, fundraising, micro-investments and micro-payment systems that support content. Shorter lists from our database can be found in Tables 1–3. We are aware that the database may need to be extended or adapted at some point, as more examples arise.

If we look at their structures, there are three different types of initiatives: (1) crowdfunding platforms; (2) isolated crowdfunded projects searching for donors on their own; (3) online payment systems that allow projects to receive funds from crowds. Based on a timing perspective, there is (1) crowdfunding used *ex ante* and (2) crowdfunding used *post facto*. From an organisational perspective, there are non-profit and for-profit crowdfunding initiatives. In terms of the niches shaped by the projects, there are: (1) charities, (2) start-up companies, (3) music, (4) software, (5) loans, and (6) micro-investments. Considering the target users of these platforms, (the database distinguishes:

TABLE 1
Crowdfunding initiatives only for journalists

Name	Country	Date founded	Type	Purpose
Youcommnews.com	Australia	May 2010	Platform	Non-profit
Ajudeumreporter	Brazil	March 2011	Platform	For-profit
Gojournalism.ca	Canada	January 2011	Platform	Non-profit
Jaimelinfo.fr	France	March 2011	Platform	For-profit
Spotus.it	Italy	February 2010	Platform	For-profit
Spot.us	United States	October 2006	Platform	Non-profit
Emphas.is	United States	January 2011	Platform	Non-profit
Theblizzard.co.uk	United Kingdom	January 2011	Isolated project	Non-profit
porto24.pt	Portugal	May 2010	Isolated project	For-profit
5x55terassa.org	Spain	April 2011	Isolated project	Non-profit
chitowndailynews.org	United States	April 2006	Isolated project	For-profit
panenka.org	Spain	May 2010	Isolated project	For-profit
orsai.es	Spain	October 2010	Isolated project	Non-profit

Source: Crowdfunding Database, Miguel Carvajal, 2011.

(1) apps and software developers, (2) artists, (3) designers, (4) filmmakers, (5) musicians, (6) journalists, (7) inventors, (8) explorers, (9) writers, (10) entrepreneurs, (11) fundraisers, (12) fashion designers, (13) scientists, and (14) start-ups.

TABLE 2
Crowdfunding initiatives for general creators (also used by journalists)

Name	Country	Date founded	Type	Purpose
Kickstarter.com	United States	April 2009	Platform	For-profit
Ulule.com	France	October 2010	Platform	For-profit
Sponsume.com	United Kingdom	August 2010	Platform	For-profit
Verkami.com	Spain	December 2010	Platform	For-profit
Lanzanos.com	Spain	November 2010	Platform	For-profit
Rockethub.com	United States	January 2010	Platform	For-profit
Pozible.com.au	Australia	December 2010	Platform	For-profit
Indiegogo.com	United States	October 2008	Platform	For-profit
Fansnextdoor.com	Luxemburg	December 2010	Platform	For-profit
Newjelly.com	Norway	January 2010	Platform	For-profit
Catarse.me	Brazil	January 2011	Platform	Non-profit
Multidao.art.br	Brazil	January 2011	Platform	Non-profit
Movere.me	Brazil	April 2011	Platform	For-profit
Benfeitaira.com	Brazil	January 2011	Platform	Non-profit
Bananacash.com.ar	Argentina	January 2011	Platform	For-profit
Crowdfunder.co.uk	United Kingdom	October 2010	Platform	For-profit
Ideame.com	Argentina	July 2011	Platform	Non-profit
Inkubato.com	Germany	December 2010	Platform	For-profit
Start Next.de	Germany	December 2010	Platform	For-profit
Mysherpas.com	Germany	January 2011	Platform	For-profit
Visionbakery.de	Germany	October 2010	Platform	For-profit
Fundedbyme.com	Sweden	May 2011	Platform	For-profit
Eppela.com	Italy	December 2010	Platform	For-profit
Unbound.co.uk	United Kingdom	June 2011	Platform	For-profit
Mymajorcompanybooks.com	France	May 2011	Platform	For-profit

Source: Crowdfunding Database, Miguel Carvajal, 2011.

TABLE 3

Micro-payment systems allowing crowdfunding platforms and projects

Name	Country	Date founded	Type	Purpose
Flattr.com	Sweden	May 2010	Micro-payment	For-profit
Kachingle.com	United States	November 2009	Micro-payment	For-profit
Chipin.com	United States	May 2006	Micro-payment	For-profit
Thankthis.com	United States	August 2010	Micro-payment	Non-profit

Source: Crowdfunding Database, Miguel Carvajal, 2011.

We have identified 13 examples that have been specifically designed for journalists, and 56 platforms that can be used by journalists or by other content creators. Most of the initiatives were originally dedicated to the broader area of artists, literature and the entertainment industry.

Spot.us is the first and most famous crowdfunding platform for journalism. Since 2006, this site has operated as a community that funds freelancers and reporters through user donations. Reporters pitch their work to readers or users request that a certain topic be researched. Reporters hope to receive funding as they work, and donors trust that journalists will deliver. If they succeed, traditional news organisations can buy the stories in question and publish them; otherwise, they are published at the Spot.us site. Journalists return to their real role as pure intermediaries who behave like the professionals that readers need. This relationship is openly carried out in the platform, fostering transparency and being made possible thanks to financial donations. The model has been exported to other countries such as Italy (Spotus.it), Brazil (Ajudeumreporter.br), France (Jaimelinfo.fr), Australia (Youcomnews.com) and Canada (Gojournalism.com). David Cohn could be regarded as a crowdfunding journalism prophet. Cohn is thoroughly convinced that this model could work in many countries.

Aside from Spot.us, three popular US crowdfunding initiatives have had a strong impact on the digital ecosystem by generating many similar projects around the world. Sellaband, Indiegogo and Kickstarter, especially the last, became extremely popular in 2009 and 2010. Inspired by those cases, other crowdfunding platforms for content creators were founded in the United Kingdom, France, Sweden, Spain, Italy and Brazil. As a result, crowdfunding is now a buzzword in the news media and it is creating a wave in many other content sectors, such as the book industry.

Also worth mentioning is Emphas.is, a crowdfunding platform specialising in photojournalism. Many photojournalists are raising money for international photo-documentary projects on this site. This platform was launched with the same philosophy as Spot.us:

it gives the public a chance to be part of the news making process, by playing a role in deciding which projects get executed, and by receiving exclusive updates straight from the field. It gives photojournalists a chance to be less financially dependent of the struggling mainstream media and to have immediate feedback from the public. (FAQS, 2011)

The impact of crowdfunding platforms on journalism is also apparent in the creation of various isolated projects in search for donors in order to become sustainable outlets. The only major difference of this concept is the timing of the pledge. A typical creator at

any crowdfunding platform makes an open call before developing anything. Nothing is started until the goal is reached, and funds are obtained from donors. On the other hand, when online-only news organisations now appeal to crowds for donations, they do so after the work has been completed or because the revenue stream is not sufficient for their survival, as is the case of *Periodismo Humano* in Spain. The significance of crowdfunding *ex ante* is audiences' active role in funding what they want to be reported. There are even isolated projects that consider crowdfunding as a pre-ordering tool, like the popular *Orsai* magazine from Spain. *La Bota de Panenka*, a long-form journalism soccer magazine, is also going to be published in accordance with readers' free donations.

As mentioned earlier, crowdfunding is not a micro-payment because the defining factors are control and transparency over user funds. Being aware of the Internet philosophy, several applications were created in recent years that enable news organisations and other content sites to make money directly from users/readers. This wave of social micro-payment solutions allows users to make contributions and site owners to receive cash effortlessly. These applications sometimes use direct payments from users, or simply collect user feedback which is later sold to advertisers in the form of popularity or content rankings. They take advantage of social networking by combining the micro-payment scheme and sharing buttons. These are not pure payment systems (indeed, payment providers like PayPal keep a share because they are needed), but they are intended to work for content providers.

Conclusions

In this paper, we have identified crowdfunding initiatives around the world, but further research is needed in order to forecast the performance of this long-term process. It would be interesting to analyse how many journalists could benefit from this model in a specific market and if they would be able to collect the necessary resources for quality investigative journalism.

The rise of non-profit media and other alternative platforms that support journalism highlights journalism's funding crisis. Traditional media cannot subsidise news reporting because their economies have slowed. Crowdfunding can be a sustainable model, but it is obviously not a substitutive model. In this sense, this paper has shown the growing impact of crowdfunding on journalism by explaining the context in which it is carried out and highlighting the most significant cases. As noted, crowdfunding places the audience back at the heart of the journalistic mission. Investigative journalism is discovering new ways to obtain resources, engage users and involve them in the process.

In this process, audiences participate in the production of news and quality journalism in a broader sense than that of traditional media. Instead of replacing the journalism professional with citizen journalists, crowdfunded journalism gives users the role of producers without endangering content quality. Cohn, the founder of Spot.us, believes that journalism is a process in which users and journalists should have an equal relationship. As we have shown, journalists maintain the added value of their profession by shaping what is being reported and how. Many questions arise about the independence and autonomy of working journalists, but platforms that promote crowdfunded journalism are trying to solve these issues. In the meantime, they have improved their beta models in order to avoid bipartisanship and system failures.

Crowdfunding theoretically works as the perfect place for connecting audiences and reporters. It is not just a matter of distributing, sharing and linking content; instead, crowdfunding is about giving money to people who are providing a service for the community. Journalists work openly and reach their goals when their proposals successfully receive funding from audiences.

The emergence of new outlets that make public interest journalism possible and that coexist with traditional news organisations are a warning for the media industry. There are many examples of crowdfunding and non-profit media that offer investigative journalism with accountability, responsibility and quality patterns. This should be a sustainable model for the future, but its success also depends on whether the strategies are adopted by traditional media.

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