

Online-only news outlets 'struggle to find funding'

April 23 2012



Online news currently does not cover operating costs, suggests the report.

The first report to assess systematically how online-only news websites across Western Europe are faring has found that new start-ups are struggling to find business models that can cover their operating costs.

It suggests that the funding environment is more challenging for new start-ups than for [traditional media outlets](#) that also have online content, because the latter's operations can be subsidised by revenues from offline businesses.

The report, published by the Reuters Institute for the Study of Journalism (RISJ) at the University of Oxford, finds that although [internet use](#) and online advertising is growing fast across Europe, and there is much experimentation in the online news space, the stumbling block continues to be the absence of a viable business models for new

forms of journalism. Even the most innovative online enterprises in Europe have found it difficult to break even.

The report, 'Survival is Success', is based on in-depth analysis of nine case studies from Germany, France, and Italy - including prominent pure players like Netzeitung, Mediapart, and Lettera43. The study shows that the start-up scene in Europe is still at a stage where surviving for more than a few years is a form of success in itself.

Out of nine new start-ups analyzed across the three countries, only two, the French Mediapart and the German Perlentaucher, broke even. Mediapart is sustained by a pay-wall system around quality niche content, while Perlentaucher survives by combining very limited costs with a highly diversified business model. One of the nine other sites has already closed after years of losses, and another has been acquired by a news magazine. The remainder have considerable operating losses and survive solely on support from external investors.

The report suggests there are two main challenges for online-only news sites: firstly, the market for online news continues to be dominated by legacy [media](#) organisations like newspapers and broadcasters; secondly, the market for online advertising is dominated by a few very large players like Google, which undermines the ability of small and medium-size players to generate significant revenues.

Report author Dr. Rasmus Kleis Nielsen, from Oxford's RISJ, said: "It is a well known fact that newspapers and some broadcasters are finding it difficult to adjust to the new media environment. What is perhaps more surprising is that new media enterprises are finding it just as hard, if not harder, to survive.

"Many start-ups are inspiring in their journalistic idealism and impressive in their technical ingenuity, but they are struggling to find a

business model that allows them to break even. Finding functional funding models is crucial for the future of online journalism. Otherwise, we will continue to rely on the often-declining "old media" to provide professional journalistic coverage. The current wave of journalistic entrepreneurship needs to be matched with a wave of innovation in the business of journalism."

Report author Nicola Bruno, a journalist at the Italian media cooperative Efficinque, said: 'European journalistic start-ups need to look for inspiration beyond well-known American examples like The Huffington Post, or Politico. Although these models may work in a very large media market like the US, they won't necessarily work in smaller markets in Europe. Even in France, a country that has witnessed a veritable explosion of new online ventures in recent years, most online only news websites are struggling and need to find diverse sources of revenue.'

The report suggests that in order to survive, online-only news websites need to avoid head-on competition with news websites backed by old media that often have stronger brands and more content to offer. It further adds that they should make themselves distinctive and tailor their product to their environment and stop imitating sites that succeed in very different contexts like the US. It points out that Mediapart, the French news website, succeeds in part because it offers hard-hitting investigative news, a form of journalism not commonly found in France.

More information: Full report: [reutersinstitute.politics.ox.a ... s-new-risj-chal.html](http://reutersinstitute.politics.ox.ac.uk/sites/default/files/2012-04/risj-chal.html)

Provided by Oxford University

Citation: Online-only news outlets 'struggle to find funding' (2012, April 23) retrieved 26 April

2024 from <https://phys.org/news/2012-04-online-only-news-outlets-struggle-funding.html>

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