

Center on Communication Leadership & Policy

Research Series: February 2011

---

**A Teaching Guide to**  
Online Community News:  
A Case Study in Long Beach, California  
*What It Takes to Survive and Thrive*

by Jeffrey S. Klein and María J. Vázquez

---



### Case summary

“**T**here is a profound crisis taking place in American journalism.” That is the introductory line to this case and the national backdrop to this study of one small community news website in a suburb of Los Angeles. Existing media face serious threats to their continued profitability and viability. The future outlook for local print newspapers is not good.

However, in the face of this threat, thousands of blogs and hyper-local community news websites have entered the scene. The accessibility of the internet and inexpensive technology have combined to lower the barriers to entry, allowing many budding entrepreneurs to launch new efforts to try to satisfy local information needs. But it is still very unclear whether these new “businesses” will survive. Much of the early attention on these start-up enterprises has been on the “news” or content side of the business, but it is the advertising or sales side of the business that is often the most challenging. And without revenues and profits, these businesses will not make it.

The local advertising market has always been the untapped Holy Grail in the media business and now is one the fastest growing ones. Billions of dollars are spent on Yellow Pages, classified advertising, coupons, direct mail, weekly and daily newspapers, billboards and cable. The competition is intensifying with the entrance of online players such as Groupon, Google, Facebook, Yahoo, AOL Patch and Craigslist, among others. For the smaller startups it’s a messy and challenging business to secure those advertising dollars.

This case shows how local online journalism works in real life. It tracks the launch and execution of a community news website in Long Beach, California, showing how difficult it is to develop a business model that will both survive and eventually thrive.

---

*This is an excellent case to have students experience the real-life challenges facing journalism entrepreneurs, particularly those who have launched a community news website or blog.*

---

The case focuses on the challenges facing Shaun Lumachi, one of the founders of the *Long Beach Post*, who launched his “for-profit” venture in 2007. When Lumachi and his co-founder Robert Garcia initially developed the idea of their new online community newspaper, they saw it as a “community service.” It was only after the website was up and running that they realized it was also a business that had to generate a profit if it was to survive and thrive long term. (They actually did consider making the business a non-profit but decided not to go down that path.)

Similar to many others who have launched hyper-local community news sites, they focused initially on the content and the technology for the site before thinking through the business model, and particularly the challenge of attracting revenue to the enterprise. They did not start with a sales strategy but developed it over time, in a series of trials and errors. At the same time, the site was quickly a reader success, attracting a growing number of visitors and great interest from community leaders. At one point, they launched a companion site focused on local high school, college and community sports. It won editorial awards, ramped up readership and earned praise but it turned out to be a financial drain, and was eventually merged back into the original site.

The experience of these journalism entrepreneurs is similar to many others who are trying



to launch new news and information online businesses. The obstacles they faced are typical, the challenges are many.

The lessons learned are valuable.

Given the dramatic changes in the news business, and the financial challenges affecting large corporate media companies, there is a growing recognition that local independent online journalism may be a strong and viable alternative to print newspapers. As a result, there is a new interest in entrepreneurship in journalism. This is an excellent case to have students experience the real-life challenges facing journalism entrepreneurs, particularly those who have launched a community news website or blog. Case studies are a valuable teaching tool, especially in an area that is so new that there are no established “best practices” to study.

## Teaching objectives

Use this case in a course about the business aspects of journalism; online media; community news sites; citizen journalism; and

entrepreneurship in journalism. You can use this case to discuss different business models in journalism, which has historically relied on advertising revenues for funding.

Also use it as a platform for talking about journalistic entrepreneurship, local media markets and community outreach. Another suggestion is to combine it with the case study on Voice of San Diego, to understand the differences between for profit and nonprofit local news sites: “Not for Profit? The Voice of San Diego Experiment” CSJ-10-0025.0 Columbia Case Studies Initiative: <https://casestudies.jrn.columbia.edu/casestudy/www/home.asp>.

## Class assignment

Help students prepare for class discussion by assigning the following question in advance:

The founders of the *Long Beach Post* did not have a written business plan before they launched and afterward only developed a few written goals. How detrimental was it to their business not to have an in-depth business plan? What is the value of a business plan? What should it contain? Is it possible to operate a successful business without a business plan? Why or why not? Most business plans are modified, often substantially, during execution. If so, what’s the point of having one?

[If this topic is of special interest, consider assigning *Business Plans That Work* by Jeffry Timmons, Andrew Zacharakis and Stephen Spinelli (McGraw-Hill 2004) as background. It is a good basic primer.]

Instructors may find it useful to engage students ahead of class by asking them to post brief responses to this question (no more than 250 words) in an online forum. Writing short comments challenges students to distill their

thoughts and express them succinctly. The instructor can use the students' work both to craft talking points ahead of class and to identify particular students to call on during the discussion.

## In-class discussion

Two approaches to the class presentation of this case are offered below. The first one is a brainstorming session focused on new revenue streams for online journalism. The second is a series of questions more focused on the sustainability of community news sites generally and managerial decisions from the case.

**1. Class brainstorming exercise.** One of the biggest challenges for the *Long Beach Post*, or for any website, is generating sufficient revenues to make the enterprise self-sustaining.

Tell the class in advance that you plan to have a “brainstorming session” in class to develop ideas that a website could use to attract revenues. Students should be encouraged not to focus on reasons why a particular idea won't work, but to be positive about every suggestion. Once you have a list of ideas, then you can go back through them with the class and discuss the pros and cons of each. Here are some possible ideas:

*a. Webinar.* Find a topic of interest to an audience and a particular advertiser. Have the advertiser put together a video to be aired on the site as a webinar. Readers sign up for it for free. The advertiser gets the names and emails of the attendees as possible sales leads in exchange for a sponsorship fee. A real estate agent might conduct a webinar on how to shop for a home, for example.

*b. Microsites or sole sponsorships.* Dedicate a portion of the site, or create a new one, to a single subject with only one exclusive advertiser. For example, all the content on a local high school team could be sponsored by a local car dealer.

*c. Sponsored newsletters.* Send out a weekly email newsletter to subscribers on a specific niche topic, sponsored by one or two advertisers.

*d. In-person events.* There are a whole range of possibilities here. Events can be high-level training in a specific area of interest to local businesses, say “marketing your restaurant” to restaurant owners, in which an admission fee can be charged, or events can be open to the public and generate revenues by sponsorships. The *Long Beach Post* “Ten Most Powerful People” could become an annual dinner that is funded with both attendee fees and sponsorships, for example.

*e. Partnerships.* Partner with other sites or blogs to sell advertising or participate in an online ad network. For example, find an online coupon site that will share revenues generated by readers who click through to it.

*f. Google ad words.* Although not usually a significant amount of revenue, some sites find this worthwhile and very easy to implement.

*g. Referral fees for product sales.* E-commerce sites like Amazon will allow you to put a “button” on your site and will give you a commission for any product sale generated by someone who clicks through from your site.

*h. Paywall.* If your information is unavailable anywhere else, readers might be willing to subscribe.

*i. Archival fee.* Old stories might be valuable to certain users. Consider charging for access.

*j. Reader donations.* Encourage readers to contribute to the site with a link on the home page.

*k. Advertising packages, premiums and discounts.* Consider a wide variety of programs to encourage advertisers to participate. For example, a long-term ad commitment has a discount, first-time advertisers have a discount, referring another advertiser generates a discount, etc.

*l. Sales incentives.* Incentivize salespeople to focus on a particular industry or advertising program by creating special one-time commissions.



*m. Consultant services.* Some publishers of community news sites have successfully generated substantial earnings from consulting services on such topics as local marketing, social media and community building.

More ideas can be found in the article “Entrepreneurial journalists should pursue several revenue streams,” cited below in item 6 of the Readings section.

**2. Class questions and discussion.** The instructor could pose any of the following questions in order to promote an 80- to 90-minute discussion. The choice of questions will be determined by what the instructor would like the students to learn from the class discussion.

1) The *Long Beach Post* started from scratch, with the founders funding the launch with their own money. How else might such an organization get started? Discuss alternative sources of funding to start a community news site.

2) Were you surprised that it was so difficult to get unpaid contributors to consistently provide high-quality content? What’s the best strategy for exploiting “user generated” content?

3) The founders of the *Long Beach Post* did

not have a written business plan, but a few months after launch they realized they should set some goals. How would you evaluate the goals they set? Did they include all the key issues that were critical to their success?

4) Lumachi and Garcia developed their own technology and executed three different website redesigns. This was both expensive and time-consuming, but the technology works well. Discuss the pros and cons of developing their own content management system vs. using open software or buying an off-the-shelf system.

5) Lumachi and Foster developed a sponsorship approach for selling advertising that doesn’t depend entirely on high-traffic requirements because it doesn’t use the CPM model. What are the advantages of this approach? Any negatives? Discuss other things they should do to develop this approach and better compete with the major players in local advertising such as Google, Yahoo, Patch or Craigslist.

6) The *Long Beach Post* developed many interesting features including “Person of the Year,” “10 Most Powerful,” an online database showing the salaries of city employees, “The



Long Beach election center” and “LBPostLive,” but they have not effectively exploited them to drive revenue streams. Discuss how they could generate revenues from these features.

7) Lumachi said that LBPostSports was a good idea at the wrong time. Do you agree? What are other types of niche content that should be included on a community news website? Discuss strategies they could have developed to generate profitable revenues for a community, high school and/or college sports site.

8) Some news organizations websites use partnerships to reduce costs or generate revenues. Is that a good approach for the *Long Beach Post*? Do you have any specific suggestions of potential partners? Is it a good idea to try to partner with a major print newspaper in the area?

9) What is the best way to compensate sales people? What are the advantages and disadvantages of relying on a commission-only system without any base salary? Lumachi tried a commission-only approach early on and then returned to it later. Why might that be? How do you create the right incentives to insure sales success?

10) Lumachi is considering adding a second salesperson. What factors should be evaluated before he decides to add the cost of another sales staffer? And how long should it take before that person can generate sufficient revenues to cover the compensation cost?

## Suggested readings

Your students could be asked to review and summarize at least one of the following readings before class:

1. “Community Journalism,” The State of the News Media 2010, Pew Project for Excellence in Journalism, 2010 ([http://www.stateofthemedias.org/2010/specialreports\\_community\\_journalism.php](http://www.stateofthemedias.org/2010/specialreports_community_journalism.php)).

*Synopsis:* In this seventh annual overview on the health and status of American journalism, a special report on community news sites includes a “study of the most highly regarded” sites.

“The activity in citizen media continued to expand in 2009. Advancements in technology further enabled citizen monitoring, and the popularity of Twitter and other social media aided in dissemination. And this all comes as many communities face cutbacks and reduced coverage from traditional media.”

The special report also contains the results of an extensive research study on citizen journalism and community news sites conducted by a “multi-university team of academics” and funded by the Pew Charitable Trusts and the Knight Foundation. “Despite the gaps between legacy news coverage and citizen news, highly promising citizen and alternative sites are emerging daily,” the report says. “Imaginative news formats, partnerships, formats, technological capabilities and passionate supporters of journalism values offer significant reasons for optimism as journalism continues its mission to inform citizens, make their lives better and nurture democratic processes.”

2. Reynolds Journalism Institute survey of promising community news sites, May 2010 <http://www.rjionline.org/fellows-program/mcclellan/block-by-block/part-1.php>).

*Synopsis:* “Reynolds Journalism Institute conducted telephone interviews with 66 local online news publishers whose sites met our criteria for producing original news, working to be accurate, fair and transparent, and developing revenue in April and May 2010. ... The sites vary widely in reach—from 1,200 to 400,000 unique visitors a month. The online publishers are predominantly white men, more than half college educated. They range in age from 22 to 68. Our goal was to learn more about their successes and their challenges in operating local news sites.”

3. Block by Block: Community News Summit 2010 (<http://www.rjionline.org/events/stories/mcLellan-sept-event/registration/livefeed.php>).

*Synopsis:* Some of the leading pioneers of online local news sites gathered together in Chicago to “learn what’s working—and what needs work—from the frontlines of community news on the Web.”

4. Schaffer, Jan, *New Voices: What Works, Lessons From Funding Five Years of Community News Startups*, J-Lab, 2010 ([http://www.kcnn.org/nv\\_whatworks/pdf/](http://www.kcnn.org/nv_whatworks/pdf/)).

*Synopsis:* “J-Lab has funded community news startups since 2005, when the movement to launch independent hyperlocal news websites began in earnest.” This report is a summary of what they have learned. Some of the main conclusions: “Robust and frequent content begets more content, but it’s the engagement with users that make sites successful. Sweat equity counts for a lot: Projects built on the grit and passion of the founders have created the most promising models for sustainability. Community news sites are not a business yet. Income from grants, ads, events and other things falls short, in most cases, of paying staff salaries and operating expenses. Demand for start-up funding is high. We had 1,433 applicants for the 55 projects that were funded.”

5. Mutter, Alan D., “Community news sites are not a business yet,” *Reflections of a newsosaur*, Oct. 6, 2010 (<http://newsosaur.blogspot.com/2010/10/community-news-sites-are-not-business.html>).

*Synopsis:* Mutter analyzes the obstacles that community news sites face when trying to develop a sustainable business model.

6. Buttry, Steve, “Entrepreneurial journalists should pursue several revenue streams,” *The Buttry Diary*, Oct. 31, 2010 ([http://stevebuttry.wordpress.com/2010/10/31/entrepreneurial-](http://stevebuttry.wordpress.com/2010/10/31/entrepreneurial-journalists-should-pursue-several-revenue-streams/)

[journalists-should-pursue-several-revenue-streams/](http://stevebuttry.wordpress.com/2010/10/31/entrepreneurial-journalists-should-pursue-several-revenue-streams/)).

*Synopsis:* “Entrepreneurial journalists make a mistake if they think advertising is their only potential revenue stream,” writes Buttry, who develops an extensive list of new revenue streams that community news sites can exploit to be sustainable. He suggests that community news sites should focus on new and more effective ways to approach advertising.

7. Klein, Jeffrey S., “Getting Serious About Expenses and Asking for Money,” session held at the Knight’s Digital Media Center News Entrepreneur Boot Camp 2010 ([http://www.knightdigitalmediacenter.org/seminars/video5\\_1/news\\_entrepreneur\\_boot\\_camp/](http://www.knightdigitalmediacenter.org/seminars/video5_1/news_entrepreneur_boot_camp/)).

*Synopsis:* Starting with the premise that “Cash is king,” Klein emphasizes the importance of business knowledge and business focus for entrepreneurial journalists, and encourages journalists to spend as much time thinking about business issues as content development. Klein gives some important advice on business models, revenue, cost structures, competition, audiences and particularly on selling advertising.

8. Owens, Howard, “Six keys to local news start up advertising revenue success,” *howardowens.com*, September 2010 (<http://www.howardowens.com/node/7359>).

*Synopsis:* Owens gives six useful tips for community news sites to approach ad selling: Keep it simple; It’s the relationship, stupid; It’s all about market share; If you’re local, be local; Don’t over-price your ads; and Don’t be afraid of metrics.



**USC ANNENBERG**

CENTER ON

Communication Leadership & Policy

734 W. Adams Boulevard

Los Angeles, California 90089-7725

<http://communicationleadership.usc.edu>