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Survival is Success Journalistic Online Start-Ups in Western Europe

Nicola Bruno and Rasmus Kleis Nielsen



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Survival is Success

Journalistic Online Start-Ups in Western Europe

Nicola Bruno and Rasmus Kleis Nielsen



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Executive Summary

This report examines the performance of journalistic online start-ups in three Western European countries. Based on analysis of nine strategically chosen cases from Germany, France, and Italy, it shows that the economics of online news currently are as challenging for new entrants as they are for industry incumbents.

While start-ups benefit from drastically lowered barriers to entry into the news sector and a whole range of digital technologies for production, editing, and distribution, they struggle to break even in all three countries examined. They face two particularly important challenges.

First, the market for online news continues to be dominated by legacy media organisations which have leveraged their existing resources and well-known brands to draw audiences and generate revenues (though not necessarily profits) that are orders of magnitude above those of most start-ups.

Second, the market for online advertising is on the one hand generously supplied by millions of websites which keep the average Cost Per Thousand Impressions (CPM) rates low and on the other hand dominated by a few very large US-based players which capture much of the search and display advertising in many European countries.

The two challenges identified mean that though internet use and online advertising is growing rapidly across Europe, it is not clear that this alone will provide the basis for a new generation of innovative and sustainable journalistic start-ups. None of the start-ups examined have managed to break even on the basis of advertising-supported free online content alone. All rely on a number of different revenue streams. Most operate at a loss and are dependent on continued investments or other forms of outside support to survive.

There are individual examples of new ventures that have managed to break even or generate a profit despite these challenges. The precise nature of the competition start-ups face from legacy media and the dynamics of

the online advertising business vary in important ways from country to country, and the most successful start-ups in each country are those that have identified niches poorly served by the incumbent industry in a particular area. The most prominent is *Mediapart*, an investigative news website operating behind a paywall in France, but there are also smaller and more niche-oriented enterprises like the German cultural content curator *Perlentaucher* and some locally oriented sites in each of the three countries.

The online news industry is still in flux as digital technologies and inherited market structures continue to change, but based on the countries and cases examined here it seems that at this juncture the journalistic start-ups most likely to thrive are those that deliver a distinct, quality product, operate with lean organisations, have diverse revenue streams, and are oriented towards niche audiences poorly served by existing legacy media.

1: The Emergence of Journalistic Online Start-Ups in Western Europe

The last decade has been one of creative destruction in the news industry across Western Europe. The story of destruction is well known – paid printed newspaper circulation is down, commercial broadcasters’ commitment to news sometimes waning, and advertising revenues for many legacy media have been plummeting. Thousands of journalists have lost their jobs as newsrooms have been cut. The story of creativity is less often told. Even as inherited professional practices and business models are under sometimes immense pressure, pioneers are prospecting for the future of journalism both within and outside existing legacy media organisations, creating new opportunities for journalists to practise their profession along the way.

Innovation in journalism is an increasingly important trend across Europe as it is around the globe. Today, *Spiegel Online* supplements its printed partner, the famous Hamburg-based weekly, and gives the composite entity an audience and ability to drive the conversation around the clock that the news-magazine never had on its own. The leading Italian newspaper *La Repubblica* reaches people not only through its 400,000 daily printed copies (down from 900,000 at its peak), but also through the most popular news website in the country (with more than a million and a half daily unique visitors), and through a growing string of social and mobile media initiatives.

Innovation is also happening outside the existing industry. Bloggers played a key role in driving the story that led to the 2010 resignation of the German President Horst Koehler after ill-considered remarks aired on an obscure radio show and initially ignored by the mainstream media. Born-digital ventures like *Mediapart* in France sometimes scoop more

well-resourced legacy competitors, set the agenda for their niche (and often elite) audience of users, and present a window into what the future of journalism may look like if the major industry incumbents continue to falter in the face of structural and cyclical challenges. If we want to understand the transformations that journalism is going through, we need to look not only at changes in the legacy media industries – important as they are – but also at new journalistic ventures seeking to supplement and supplant them.

In this report we focus on the emergence of journalistic online start-ups in Western Europe. We are interested in new ventures that share three particular features. First, they are ‘journalistic’, that is, focus on news and current affairs, identify with journalism as it has historically been practised (even as they try to push beyond it), and practise something that users will regard as journalism. Second, they are ‘online’, that is, built primarily around their web presence, complemented by social and mobile media versions and in some cases even print spin-offs, but ‘born digital’ both in practice and in how they are seen and see themselves. Third, they are ‘start-ups’, that is, not affiliates of existing legacy media or spun off from older print or broadcast-based organisations. (And they often explicitly associate themselves with the wider wave of technology-based start-ups trying to change other sectors of society.) The cases we look at all have one foot proudly in the past, in the sense that they consider themselves journalistic, and they draw on the rich and diverse history and heritage of journalism. But they also have one foot in the future, drawing on new technologies that previous journalistic pioneers like Rudolf Augstein (the founder of *Spiegel*), Hubert Beuve-Méry (the first publisher of *Le Monde*), and Indro Montanelli (long-term *Corriere della Sera* reporter and co-founder of *Il Giornale*) could not even have imagined, tools that are yet to be fully integrated into how the profession is practised.

We do not deal here with philanthropically supported journalism, with people expressing themselves on blogs or via social media, or with various forms of activist media or ‘citizen’ journalism trying to harness for journalistic purposes what has been called the ‘wisdom of crowds’.¹ Nor do we look at new kinds of news agencies, content providers, or business-to-business enterprises that do not make their work publicly available. We are focused on journalistic online start-ups that practise something recognisable as professional journalism: ongoing content creation and

¹ James Surowiecki, *The Wisdom of Crowds* (New York: Doubleday, 2004) and further developed in Yochai Benkler’s work on ‘commons-based peer-production’ in his *The Wealth of Networks* (New Haven: Yale University Press, 2006).

curation focused on generally accessible timely information about current affairs and done by people who are not doing another full-time job at the same time and who are not funded by outside groups (however idealistic or committed to journalism these may be). We are primarily concerned with the business foundations of journalistic online start-ups, and try to assess – however imperfectly given the rapid pace of change and the opacity of much of the sector – their current situation and prospects in the near to medium term future. This focus does not represent a dismissal of other new information gathering and sharing initiatives but simply our view – our bias, if you will – that, with all its imperfections, something akin to what we call professional journalism plays an important role in Western democracies, and that understanding its institutional and economic preconditions during a time of change is therefore important. Traditional terrestrial television is still the main source of news for most people across Western Europe, and existing newspapers still generate most of the news available. But both media platforms are facing different challenges and probably structural decline. A closer look at start-ups trying to do things differently and built around ascendant media technologies can give us a better sense of the alternatives available to people today, and perhaps a glimpse of what the future of journalism will look like.

The basic question we ask is this: what are the prospects for sustainable forms of journalistic content creation and curation amongst the current wave of online start-ups in Western Europe? To address it, we examine three strategically selected cases from each of three different countries (Germany, France, and Italy), combining interviews and in some cases internal documents with available secondary sources on the structures of the wider media market. The start-ups we examine were selected in consultation with national media experts as some of the most promising and ambitious ventures in each country. They are *Netzeitung*, *Perlentaucher*, and *The European* from Germany, *AgoraVox*, *Rue89*, and *Mediapart* from France, and *Il Post*, *Lettera43*, and *Linkiesta* from Italy. (None of our cases are drawn from the burgeoning number of hyperlocal sites, but we will touch on examples of these from each country.) We will argue that, at this point, survival is success for ventures like these. All the start-ups we have examined are struggling to make ends meet. (*Netzeitung* was reduced to an automated aggregator in 2009, the financially struggling *Rue89* was bought by *Le Nouvel Observateur* in late 2011. Seven of the nine cases operate at a loss.) While internet use and online advertising are growing rapidly in all three countries we look at, it is not clear that this alone will provide the basis for a new generation of innovative and

sustainable journalistic start-ups. Not one of the cases we look at has been able to function on the basis of online advertising only. Though *Perlentaucher* has survived for a decade by now and *Mediapart* produced a profit in 2011, few look likely to break even in their present form. There is no one-size-fits all approach common to all those who succeed, no one mistake made by those that have failed. Our analysis suggests that the prospects of these start-ups (and others like them) depend not only on their own content and creativity, but also on having a clear strategy tailored to their specific context.

What are the challenges these journalistic online start-ups face? We will highlight two in particular. First, the market for online news content continues to be dominated by legacy media organisations which, leveraging their existing resources and well-known brands, draw audiences and generate revenues several orders of magnitude above most new ventures. Second, the market for online advertising is both generously supplied by billions of websites and effectively dominated by Google, Yahoo, Microsoft, and Facebook in particular, US-based players which capture a large share of online advertising, but make no direct investments in journalism. This means that while new innovative journalistic online start-ups like the ones we examine here represent an interesting and sometimes important supplement to what incumbent content creators and new search and social media services provide online, the economics of online journalism are as challenging for newcomers as for old-timers. Returning to the notion of creative destruction, it is clear that just as the ‘creative’ element is not confined to start-ups, the ‘destruction’ afflicts not only inherited business models, but also many new entrants. The news industry has been struggling for more than a decade, trying to break even in the online business. The track record of entrepreneurs is no better. Most start-ups fail to survive, in particular when they take on strong incumbents head-on. Those most likely to thrive deliver a distinct, quality product, operate with lean organisations, have diverse revenues, and are oriented towards niche audiences poorly served by existing media.

Start-ups around the world

Journalistic online start-ups play an increasingly important role in media systems around the world. A number of them, almost all from the United States, have become household names in conversations around the future of journalism. The *Huffington Post*, *Gawker*, and *Politico* are sites that are frequently invoked, as increasingly are smaller regional and local start-ups

like the *Alaska Dispatch* and local sites like the *Batavian*. (Older initiatives from the late 1990s, started during the dot.com boom, and then, with honourable exceptions like *Slate* and *Salon*, failing after the bust, are less often remembered.) In the last few years these outlets have pioneered new forms of journalism and new business models all based primarily on the internet. Several important reports have presented overviews of this new US news ecology, its operations, and its economic foundations.²

Less is known about journalistic online start-ups elsewhere, though recent years have been a time of much experimentation in many countries. As we will argue, this dearth of knowledge about start-ups operating in different circumstances and under different conditions is a serious shortcoming, since it is dangerous to assume that experiences coming out of a US media market characterised by its enormous size (more than 300 million people), massive advertising spend (twice as high as many European countries as a percentage of GDP), particular legacy media industry structure (traditionally emphasising a fairly narrow range of political and ideological viewpoints), and potentially global audience (by virtue of the English language and America's position in the world) can be replicated in other settings. Arianna Huffington and the like have inspired a generation of would-be entrepreneurs around the world, but it is not clear that the conditions that enabled the *Huffington Post* to thrive in the United States are present even in large and technologically developed mature media markets like Germany, France, or Italy. It is important to keep in mind therefore that innovation is not about simple imitation, but about what the sociologist David Stark has called 'recombination' – the successful mixing of disparate old and new elements in a specific context.³ (Interestingly, when AOL launched French- and Italian-language versions of the *Huffington Post* in January 2012, it did not do so alone, but in partnership with some of the most prominent legacy media in each country, the Le Monde Group in France and Gruppo Editoriale L'Espresso in Italy.)

As internet access and use increase across Europe, people's media habits migrate gradually away from legacy platforms, and advertising moves with them, a generation of start-ups have nonetheless seen an opportunity to challenge industry incumbents and establish themselves in

² See for instance Bill Grueskin, Ava Seave, and Lucas Graves, *The Story So Far* (New York: Columbia University Press, 2011). See also the research done by Charles Lewis and colleagues at the Investigative Reporting Workshop on the 'new journalism ecosystem', <http://investigativereportingworkshop.org/ilab/story/ecosystem/> and the ongoing coverage by the Knight Digital Media Center's Online Journalism Review at ojr.org.

³ David Stark, *The Sense of Dissonance* (Princeton: Princeton University Press, 2009).

various media markets. Fuelled in part by the economic travails of the newspaper industry, which has left many experienced journalists laid off and looking for new opportunities, and in part by the belief that the ongoing shift of both audiences and advertisers to new media platforms represents an opportunity, a new generation of journalistic entrepreneurs have jumped on the web wagon with passion and a pioneering spirit. But editorial experience and entrepreneurial enthusiasm does not guarantee success or sustainability. Professional journalism is expensive. Even when reporters are empowered by a slew of highly efficient new digital tools and technologies and can rely on cheap forms of distribution, someone needs to pay the bills. Careful positioning, strategic planning, and business skills are needed to succeed – and above all an awareness that success is highly contingent on the particular market one is operating in. The contemporary media landscape in the Western world is characterised by fierce competition for audiences and advertisers and constant change that calls for constant adjustment – amongst old and new players alike.

Structure of the analysis

This report is based on an analysis of nine strategically selected journalistic online start-ups taken from three different Western European countries – Germany, France, and Italy. These are three of the largest media markets in the world. All three are characterised by a mix of private media and public service media primarily funded through licence fees; a mix that is very different from a US media market characterised by very limited direct government intervention and dominated by private players (they have what has been called ‘democratic-regulated’ media markets).⁴ Each of these media systems also has its own particular history, journalistic tradition, and industry structure. Media researchers highlight Germany’s combination of well-funded and impartial public service broadcasting, a sizeable commercial broadcasting sector, and a strong newspaper industry characterised by partisan national newspapers and less politically engaged local newspapers as an example of a ‘democratic corporatist’ media system, common in Northern Europe.⁵ France and Italy, on the other hand, with their less generously funded and more politicised public service broadcasters, stronger commercial television operators, and a limited circulation and often elite-oriented press, are sometimes called ‘polarised

⁴ James Curran and Myung-Jin Park (eds), *De-Westernizing Media Studies* (London: Routledge, 2000).

⁵ Daniel C. Hallin and Paolo Mancini, *Comparing Media Systems: Three Models of Media and Politics* (Cambridge: CUP, 2004).

pluralist' media systems, which are more widespread in the Mediterranean.⁶ These systemic differences are, as we will make clear throughout, very important for understanding the context in which different start-ups operate.

Differences aside, Germany, France, and Italy also have two things in common that make them well-suited for understanding the performance and prospects of new journalistic ventures in Western Europe. First, they are all primarily *national* media markets. While English-language start-ups can hope to reach a world-wide audience, start-ups in most European countries will have to cater first and foremost to a smaller potential audience defined by language. This national orientation, based on a distinct and mostly shared language, is a common trait across Europe. With some exceptions, spill-over and direct competition with dominant English-language online news providers like the *Daily Mail*, the *New York Times*, and the BBC are minor issues in continental Europe.⁷

Second, Germany, France, and Italy are all *large* national media markets, with populations between 60 and 80 million and with billions of euros spent on media use and advertising every year. While not as large as the United States, all three are in the global top ten of total advertising expenditures. This means that, in contrast to smaller countries (like in Scandinavia) or poorer countries (as in Eastern Europe), there should in theory be a critical mass of potential users and advertisers for new start-ups. Other things being equal, these three countries should therefore provide particularly hospitable environments for new start-ups.⁸

In light of their national orientation and large population, market size alone should thus not be a problem for journalistic online start-ups in Germany, France, and Italy. If one considers the number of internet users and the growth of online advertising, the potential should be there.

Internet use, first, is growing in all three countries. According to Eurostat data, more than half of their populations are active internet users, representing a potential audience of millions of people. (Different sources give different data on how many internet users regularly access news online, but estimates vary from about half to more than 70%.)

⁶ Ibid.

⁷ Online news in most countries remains dominated by domestic providers—as shown by e.g. Robert Kenny, *International Online News Consumption* (London: Communications Chambers, 2012).

⁸ The media business is famously a high fixed cost, low variable cost business where content production and curation is expensive but distribution much cheaper. This results in strong economies of scale favouring the dominant players and challenging sustainability for smaller players, especially in small markets. (The difference that size makes is clearly visible if one compares e.g. the diverse magazine and niche television offerings in Germany with those in an equally wealthy, but much smaller, country like its northern neighbour Denmark.)

Table 1.1. Internet users as part of population (2011)

	Germany	France	Italy
Internet users	77%	74%	51%

Data provided by Eurostat, Frequency of Internet Access 2011, Goes online once a week or more.

Online advertising, second, is also growing rapidly in all three countries. In Germany and France, the internet captures close to 20% of total advertising expenditure, with Italy lagging somewhat behind with a 6.5% share (mostly due to a long-lasting predominance of television coupled with somewhat more limited internet access and use). In each country, hundreds of millions of euros are spent on online advertising every year.

Table 1.2. Advertising expenditures in Germany, France, and Italy, 2011

	Germany	France	Italy
Television	€4,071m	€3,399m	€3,685m
Newspapers	€5,839m	€915m	€971m
Magazines	€3,488m	€1,443m	€636m
Radio	€706m	€744m	€452m
Internet	€3,473m	€1,212m	€412m
Outdoor	€797m	€1,926m	€177m
Other	€79m	€109m	€38m
<i>Total</i>	<i>€18,453m</i>	<i>€9,748m</i>	<i>€6,371m</i>

Source: Zenith Optimedia (all figures in current euro).

So in each of these three countries, the basic preconditions for a sustainable online media business – users and advertisers – seems to be in place. But beyond these general preconditions there are important contextual variations in how their overall media system functions and how it has changed in recent years that are also important for understanding how start-ups are doing.

In Germany, for example, the media system is characterised by a consolidated industry of legacy media organisations that have weathered the 2008–9 financial crisis better than their counterparts elsewhere in the Western world.⁹ The German media market combines no less than two licence-fee-funded public service broadcasters (ARD and ZDF) with a sizeable commercial television sector, a diverse and ideologically

⁹ Frank Esser and Michael Brüggemann, 'The Strategic Crisis of German Newspapers', in David A. L. Levy and Rasmus Kleis Nielsen (eds), *The Changing Business of Journalism and its Implications for Democracy* (Oxford: RISJ, 2010), 39–54. For more general overviews of how the news business is changing in different developing democracies, see e.g. OECD, *The Evolution of News and the Internet* (Paris: OECD, 2010).

differentiated national press, and strong regional and local newspapers. Most of these commercial players have made significant investments in online operations for years. Today, they dominate internet news provision, leaving little space for new general-news online outlets or even niche players. While Germany is the largest media market in Europe and has a highly educated and digitally connected population, relatively few start-ups have succeeded here.

The situation in France is quite different. While television incumbents have weathered the recession relatively well, the cyclical downturn has exacerbated a long-lasting institutional crisis afflicting the French press.¹⁰ From their already comparatively low level, both national and regional French newspapers have lost considerable proportions of their circulation and advertising revenues. Many have struggled to adapt to a new media environment.¹¹ This has created an opening for a range of new independent initiatives on the internet. Today, Paris represents one of the most exciting laboratories for the future of online journalism in Europe. It is home to a journalistic ‘Nouvelle Vague’, consisting of dozens of pure players experimenting with a variety of business models, publishing formats, and journalistic directions including *Mediapart*, to the best of our knowledge the largest and most ambitious pure player to break even in Europe.

The Italian situation too has its own specific features. Television has for a long time been dominated by the RAI-Mediaset ‘duopoly’ (one the public service broadcaster, the other the media empire built by former Prime Minister Silvio Berlusconi). Both of these incumbents have seemed more intent on protecting their turf against potential television rivals like Sky Italia than on establishing their positions online. Leading Italian newspapers like *La Repubblica* and *Corriere della Sera* have come to dominate internet news provision while the majority of Italian newspapers – with limited circulation, reach, and revenues – have adopted a more cautious approach to the web.¹² Over the last few years, a number of new journalistic online start-ups, several of them examined here, have tried to

¹⁰ Alice Antheaume, ‘The French Press and its Enduring Institutional Crisis’, in David A. L. Levy and Rasmus Kleis Nielsen (eds), *The Changing Business of Journalism and its Implications for Democracy* (Oxford: RISJ, 2010), 69–80.

¹¹ Nikos Smyrniaos and Franck Busquet, ‘The Development of Local Online Journalism in South-Western France: The Case of *La Dépêche du Midi*’, in Ramón Salaverria (ed.), *Diversity of Journalisms*, Proceedings of the ECREA Journalism Studies Section and 26th International Conference of Communication (CICOM) at University of Navarra, Pamplona, 4–5 July 2011, pp. 347–58.

¹² Gianpietro Mazzoleni, Giulio Vigevani, and Sergio Splendore, *Mapping Digital Media: Italy* (London: Open Society Foundations, 2011): www.soros.org/initiatives/media/articles_publications/publications/mapping-digital-media-italy-20111010.

secure a first-mover advantage against sluggish legacy competitors by launching ambitious new ventures.

Overview of the report

In the following chapters we will provide a brief overview of the media system in each country – Germany first, then France, and finally Italy – including a description of the most active mainstream players and other innovative actors. The goal is to provide an overall picture of the different contexts in which the start-ups selected for closer analysis operate. In each chapter, we then examine in some detail three cases from the country in question, providing a short history of each project, outlining the goals of their founders, their initial objectives and subsequent track record.

We focus on three specific aspects related to each start-up.

- First, we look at their *position* in the wider publishing field. Here, we consider how they see their role within their own country, plotting them according to their emphasis on content creation versus curation, whether they set out to complement or compete with legacy media, which projects elsewhere they draw inspiration from, and what their political or other organisational affiliations are. We also examine what kinds of content they focus on (aggregated news, original stories, professional curation, etc.), formats they use (text-only, multimedia, infographics, etc.), how much content they produce, and whether they have achieved any major scoops.
- Second, we look at their target and achieved *audience*. Here, we look at the number of unique visitors and other statistics (based on Nielsen Netratings and/or internal sources, where possible covering trends over several years), and the social media options they provide and how popular they seem (based on indicators such as ‘likes’ and friends on Facebook, Twitter followers, etc.).
- Third, we look at their *business model*. What are the major sources of revenue (advertising, subscriptions, syndication, donations, etc.), what is the ownership structure, where did the initial investment come from, how many people are employed (journalists, administrative and technical staff), and does the venture look financially sustainable?

These sets of data, along with personal interviews carried out with the editors of each featured start-up and national media experts offer both context and more detailed case studies of the experience of major

journalistic start-ups that have emerged in Western Europe in the last few years. With the obvious caveat that we write this at a time of ongoing and rapid change, the report provides a contextualised snapshot of a series of important new ventures in 2011 with a particular focus on their business models, still the Achilles' heels for most projects covered here. Our focus on the business of journalistic online start-ups is based on our conviction that it is crucial for the future of journalism to understand what kind of start-ups may turn out to be sustainable, how many are likely to thrive, and what they can learn from each other across national borders. New ventures can succeed in many different ways – by doing impressive original reporting, by hosting valuable conversations and communities, by inventing new formats and genres that inspire others, or by affording those involved a chance to influence public debates. But to remain successful in any of these ways, they will have to break even somehow. The picture we paint when it comes to sustainability is a mixed one. While important initiatives are underway and the innovative aspirations and journalistic ambitions of many of those we have talked to are inspiring, a large majority operate at a loss and many struggle to cover their day-to-day costs. It seems that, at this point, survival is success for journalistic online start-ups in Western Europe – and a kind of success many, for all their qualities, will fail to achieve.

2: Germany: A Large Market with Few Start-Ups

Germany is the largest media market in Europe. It has high levels of internet access and use, and a rapidly growing online advertising market. Yet very few journalistic online start-ups have succeeded here. The main reason is that German legacy media remain strong across all platforms. After a somewhat hesitant start, newspapers in particular have come to dominate online news provision, leaving few gaps for new ventures to exploit.

Though Germany currently has fewer high-profile journalistic online start-ups than France and Italy, one of the earliest and most ambitious European pure players did launch here. In 2001, *Netzeitung* (the name translates as ‘internet newspaper’) opened as an online-only general news provider, backed by considerable initial funding from the technology sector. Despite some early success, it never became sustainable. Competition for readers and advertisers became increasingly intense, especially when several major newspapers started investing more in their online operations in the mid-2000s. As early as 2004, the German media commentator Stefan Niggemeier dryly remarked about it: ‘the future is a thing of the past’.¹³ *Netzeitung* did carry on for another five years, but with many changes of ownership, failed restructuring plans, budget cuts, and attempts at repositioning; it effectively ceased to exist as an independent editorial entity in 2009 when its last owner decided to reduce it to an automatic news aggregator.

No other journalistic online start-up has tried to take on the incumbent industry in Germany the way *Netzeitung* did, and no start-ups with the

¹³ www.faz.net/aktuell/feuilleton/kino/netzeitung-die-zukunft-war-gestern-1173349.html.

size and ambitions of a *Mediapart* or *Lettera43* exist. Even the *Huffington Post*, which has recently launched sites in France and Italy, has stayed clear of Europe's largest media market. The absence of high-profile new entrants reflects the particularities of the country's media system. Germany combines a diverse and ideologically differentiated national press with a consolidated and widely read regional press, no less than two licence-fee funded public service broadcasters (ARD and ZDF) and a strong commercial broadcasting sector (led by RTL and ProSiebenSat1). While the rise of the internet and the global economic crisis have challenged publishers here as elsewhere, their position remains stronger than in many other countries.¹⁴ Almost all legacy media have full-fledged online operations, though they are often seen as slow to adopt new interactive, social, and mobile features. (One study from 2009 found that only about half of newspaper websites allowed for user comments.¹⁵) Overall, Germany has, according to Lorenz Lorenz-Meyer, Professor of Online Journalism at Hochschule Darmstadt, 'a very conservative online landscape'.¹⁶ But it is one that is well-developed and served by many different providers.

One of the dominant players is the Hamburg-based weekly news-magazine *Spiegel*, which launched its online edition in 1994, before most German newspapers paid much attention to the web. It has been able to build on its well-known brand and editorial resources plus its first-mover advantage to become one of the leading online news outlets in the country. Until 2009, when it was overtaken by the tabloid *Bild*, the highest circulation paid newspaper in Europe, *Spiegel Online* was the leading news website in Germany (excluding portals like MSN and its German counterparts).¹⁷ Increasingly, other well-known national titles have increased their investments in online content and features and moved beyond the shovel-ware and static websites of the 1990s and early 2000s. The weekly newspaper *Die Zeit* is another increasingly important online player highlighted by Lorenz Lorenz-Meyer. It has slowly but steadily been building its position by emphasising web-native features and experiments with data-journalism (amongst other things, it hosts a discussion space

¹⁴ Esser and Brüggemann, 'Strategic Crisis of German Newspapers'.

¹⁵ Stefan Büffel and Peter Schumacher, "Weg ins Social Web: Wie interaktiv, multimedial und "webzweinnulig" sind die Websites deutscher Tageszeitungen? Fünf aktuelle Befunde", *Medium Magazin*, 1 (2010), 32–3.

¹⁶ Lorenz Lorenz-Meyer, 'Online journalism Atlas: Germany', <http://onlinejournalismblog.com/2007/12/13/online-journalism-atlas-germany-by-lorenz-lorenz-meyer>.

¹⁷ www.horizont.net/aktuell/digital/pages/protected/Internet-Facts-Bild.de-zieht-an-Spiegel-Online-vorbei—Windows-Live-ist-der-Ueberraschungsaufsteiger_89027.html.

similar to the ‘Comment is Free’ section of the *Guardian*’s website). This has helped the newspaper reach an online audience almost twice the estimated 2 million readers of its weekly print product.

Tables 2.1 and 2.2 list the 10 most popular websites in Germany, and the 10 most popular news websites (with the two online-start-ups covered by AGOF’s data service added). Google and Facebook are not on the list because they do not subscribe to the standard AGOF audience measurement service but external data suggest that they are, unsurprisingly, amongst the most visited websites in Germany. Facebook has 22,600,660 users, while Google has a 95% share of the search market. According to market research firm ComScore, in June 2011 Google sites were the most popular destinations in Germany (51.7 million unique visitors), followed by Facebook (37 million) and Microsoft sites (34.3 million).¹⁸ Leaving aside these American giants, the list of the top 10 websites in Germany is dominated by the usual web-native portals offering diverse services complemented by minimal investments in original content. The list of top 10 news sites is dominated by legacy media organisations. Sites marked in orange are associated with print legacy media, sites marked in yellow with broadcast legacy media, sites marked in green are journalistic online start-ups. The two public service broadcasters ARD and ZDF are not covered by AGOF. On the basis of data from Google Analytics, the website Meedia estimates that their two flagship news sites, tagesschau.de (ARD) and heute.de (ZDF) had, respectively, about 2.1 million and 750,000 unique visitors in September 2011, placing both of them outside the top 10 news sites.¹⁹

Table 2.1. Germany, top 10 websites – June 2011

Website	Monthly unique users
T-Online	25,640,000
eBay.de	23,540,000
WEB.DE	16,970,000
gutefrage.net	15,170,000
Yahoo! Deutschland	14,030,000
GMX	13,600,000
wetter.com	13,020,000
BILD.de	12,590,000
CHIP Online	12,210,000
MSN	11,620,000

Source: AGOF, June 2011: <http://www.agof.de/index.1050.de.html>.

¹⁸ www.bbc.co.uk/news/technology-14859813; www.comscore.com/2011/07/in-germany-only-google-attracts-more-visitors-than-facebook.

¹⁹ <http://meedia.de/internet/die-deutsche-top-100-der-news-websites/2011/11/24.html>.

Table 2.2. Germany, top 10 news websites – June 2011 (plus start-ups)

Website	Monthly unique users
BILD.de	12,590,000
RTL.de	10,920,000
Spiegel Online	10,010,000
N24.de	9,100,000
ProSieben.de	7,990,000
Focus Online	7,840,000
Welt.de	6,980,000
Sueddeutsche.de	5,530,000
Stern.de	5,330,000
Zeit Online	3,650,000
...	
Perlentaucher	230,000
Netzeitung	120,000

Source: AGOF, June 2011: <http://www.agof.de/index.1050.de.html>.

Most of these news websites have increased their audience in recent years, reflecting the spread of internet access and use across Germany. Many sites have doubled their number of visits since 2005.²⁰ Some, like the newspapers *Bild*, *Welt*, and *Süddeutsche Zeitung*, have more than quadrupled their traffic through aggressive investments in their online offerings. *Zeit* has grown tenfold. No journalistic online start-up comes close to matching these sites in terms of visitors, reach, or pageviews.

The relative absence of new pure players in the German news industry does not reflect a slow development of internet use. Nielsen characterise more than half of the German population as ‘active internet users’, the research agency AGOF reports that 71% of adults have gone online at least once in the last three months, and Eurostat data suggest that more than 80% of all German households have an internet connection (almost all of them broadband).²¹ Nor does it reflect a lack of interest in online news. AGOF’s ‘internet facts’ report examines the role of the internet in news provision specifically, and finds that accessing news online is one of the top activities amongst German users. After email (used by 88% of Germans online) and search (84%), accessing news websites (71%) is more

²⁰ Hermann-Dieter Schröder, Uwe Hasebrink, Stephan Dreyer, Wiebke Loosen, and Felix Schröder, *Mapping Digital Media: Germany* (London: Open Society Foundations, 2011): www.soros.org/initiatives/media/articles_publications/publications/mapping-digital-media-germany-20111028.

²¹ www.nielsen.com/de/de/insights/presseseite/2012/bruttowerbemarkt-schliesst-2011-mit-solidem-plus-ab.html; www.nielsen.com/de/de/insights/top10s/trend-above-the-line-medien.html; and Schröder et al., *Mapping Digital Media: Germany*.

widespread even than online shopping (67%) and banking (56%). (By comparison, the Oxford Internet Survey has found that 55% of the British online population accessed news sites in 2011 and that 60% used online banking.²²) Eurostat data suggest that using the internet for accessing news is more widespread in Germany (52% of the adult population) than in France (23%) and Italy (30%).²³

With high and growing levels of internet access and a comparatively robust economy, it is no surprise that online advertising is growing rapidly in Germany. Data from Zenith Optimedia confirm a solid increase of market share for online ads from 2010 to 2011 (see Table 2.3). Of the three countries we look at, Germany has the highest total amount of money spent on online advertising, the second highest share for online of all advertising, and the second highest growth rate in online advertising.

Table 2.3. German advertising market

	Advertising spend (2011)	Market share (2011)	Growth (2011 vs. 2010)
Television	€4,071m	22.1%	3.0%
Newspapers	€5,839m	31.6%	-1.7%
Magazines	€3,488m	18.9%	0.7%
Internet	€3,473m	18.8%	13.2%
Radio	€706m	3.8%	2.0%
Outdoor	€797m	4.3%	4.0%
Other	€79m	0.4%	6.0%
<i>Total</i>	<i>€18,453m</i>	<i>100.0%</i>	<i>2.7%</i>

Source: Zenith Optimedia (all figures in current euro).

So the German media system combines widespread internet access and use with a high proportion of the population getting news online and a growing market for online advertising. This may sound like fertile ground for journalistic online start-ups, but, as Lorenz Lorenz-Meyer points out, this very same scenario of rapid expansion, coupled with the slow decline of some legacy platforms, most notably print, has led major media companies to invest heavily in their online offerings. *Spiegel* and *Die Zeit*, to return to these two examples, employ a staff of around 100 and 60 people, respectively, for their online operations. (As weeklies, they maintain different staffs for web and print, whereas many daily newspapers have integrated newsrooms.) No European journalistic start-up can match such editorial resources.

²² www.oii.ox.ac.uk/publications/oxis2011_report.pdf.

²³ Eurostat, internet use: reading/downloading online newspapers/news, 2011.

In some cases, these investments have paid off in commercial terms. *Spiegel Online* has reportedly been profitable since 2006.²⁴ By 2011, AGOF reports that Spiegel Verlag reached more than 14 million Germans online in addition to the one million who buy the weekly print product. Axel Springer, the largest newspaper conglomerate in Germany, reports that many of their online operations are profitable and that digital accounted for almost 25% of total revenues in 2010 (most of the digital revenue comes from advertising and e-commerce, but the company is also increasingly selling content via mobile platforms and now for tablets).²⁵ For other companies, online investment remains more of a loss-leader and an investment in the future, cross-subsidised by profits from elsewhere and meant to promote sales of more profitable legacy products while safeguarding a title's long-term prospects in a changing media landscape.

The failure of an online-only general news provider to compete with larger, well-established publishers does not mean that there is no room for start-ups in Germany. Lorenz Lorenz-Meyer argues that legacy media have invested more in human resources and 'much less in format and language innovation'.²⁶ Opportunities may await those who can use the internet in more imaginative and appealing ways than existing companies. One example we examine here, in addition to the instructive rise and fall of *Netzeitung*, is *Perlentaucher*, a website that curates and comments on cultural issues covered by other German media and has over the last decade built a community and developed new forms of niche advertising and e-commerce into a sustainable business model. A newer venture is the online magazine *The European*, launched in 2009, based on commentaries and opinion stories, and whose business model aims to integrate advertising, advertorials, event planning, and consulting services. Both are start-ups searching for the kind of sustainable niche that *Netzeitung* never found.

Netzeitung

In the spring of 2000, just as the dot.com bubble was about to burst, even in the Old World of Europe many were betting that the internet was the future of the news business. Among those who had particularly good reason to believe this was a group of Norwegian entrepreneurs who had launched *Nettavisen* in 1996, one of the first European online-only news organisations. The site quickly built a broad readership, and just three

²⁴ <http://archiv.medien-mittweida.de/panorama/artikel/1218.html>.

²⁵ www.axelspringer.de/dl/431754/Annual_report_2010_Axel_Springer_AG.pdf.

²⁶ Interview, 15 July 2011.

years after it was founded, it was sold for about €21 million to the publishing group Spray Network. This group, in turn, soon became part of Lycos Europe, a joint venture between the US-based search engine and portal Lycos and the German media giant Bertelsmann.

Table 2.4. *Netzeitung* at a glance (data from before change to automated aggregation in 2009)

Launched	8 November 2000
Staff (2007–9)*	About 40 reporters
Operating cost (2007–9)*	Estimated €2m annually
Initial funding	N/A
Business model	Advertising, some services
Journalism model	Daily news website
Reference model	Nettavisen.no
Unique visitors (daily)	N/A
Unique visitors (monthly, 2007)**	600,000
Pageviews (monthly, 2007)***	2,537,845
Facebook friends****	1,172
Twitter followers****	4,806

* Estimate provided by Domenika Ahlrichs, editor of *Netzeitung.de* 2007–9. The staff figure fluctuated with time, even rising to 60 people in 2006. This figure refers to 2007–9.

** Data provided by AGOF Internet Facts 2007-IV.

*** Data provided by IWW Online Nutzungsdaten, Oct. 2007.

**** Last checked on 4 Aug. 2011.

Nettavisen's early success in Norway, built on freely available content attracting an average of 200,000 daily unique visitors in a country with a population of less than 5 million, was the direct model for *Netzeitung*. It was launched in 2000 by the same group of Norwegian entrepreneurs and backed by Lycos Europe. In a 2000 interview with *Spiegel* they announced their entry into the German media market with a bold prediction: 'Within 20 years the print newspaper will disappear altogether.'²⁷ Michael Maier, former editor of the daily *Berliner Zeitung* and the news-magazine *Stern*, was recruited as chief editor and pronounced *Netzeitung* 'the future of journalism'.²⁸ Backed by solid initial funding and based on a newsroom with 30 full-time journalists, the aim was clear – to create an online outlet able to compete directly with newspapers and draw a mass audience, and with them advertisers, to move from print to the web.

Netzeitung was directly modelled on the newspapers it tried to displace. 'We wanted to be a daily paper, simply not printed, but online. Even the fonts most used in our online stories resembled those of a print daily,'

²⁷ www.spiegel.de/spiegel/print/d-22702513.html.

²⁸ www.spiegel.de/spiegel/print/d-16961428.html.

explains Domenika Ahlrichs, who was on board throughout its rise and fall.²⁹ (See Figure 2.1.) Starting out as an intern in 2001, Ahlrichs worked her way up and eventually served as managing editor from 2007 until the site was reduced to an automated aggregator in 2009. (She now works at *Die Zeit*.)

Though operating in a market more than 10 times larger than its Norwegian predecessor, *Netzeitung* never became sustainable. ‘Over time, our newspaper-like approach proved to be a handicap,’ says Ahlrichs.

Initially we made the conscious choice to provide our readers with the same print experience. After a few years, however, it became clear that this strategy could not support a successful future. Around 2003–04 every mainstream print outlet started jumping in and investing on the web. All of a sudden, many strong actors were following suit. Our web-only presence and limited identity could not keep up with the giants of the German news media market.

As more and more legacy media organisations moved aggressively into online, making more content available on their websites and hiring journalists to produce additional exclusive digital content, *Netzeitung* faced increased competition. From 2004 onwards, the enterprise responded by trying to move beyond its reliance on the traditional genres and formats of print journalism. ‘We understood the urgency of becoming less print-oriented and more web-centric,’ explains Ahlrichs. ‘To highlight our online identity, we finally started posting video and audio files – so far all stories were only text-based!’ In 2005 the company decided to expand into other media and acquired an FM radio frequency, whose channel would start broadcasting a mix of current news and music.

Given that advertising by itself had turned out to be insufficient to secure financial sustainability, *Netzeitung* during the same period started to explore other income sources, including syndication of its multimedia content. ‘Our newsroom also included a recording studio, so we started to produce radio news programs and sell them to various German radio stations. Similarly, we re-formatted our newscasts and sold them to local TV stations for their videotext channels – a great economic strategy,’ says Ahlrichs. ‘Indeed, advertising could cover only half of the total annual budget of 2 million euro, and the content syndication was really helpful – even if we never managed to actually balance the entire budget.’

²⁹ Interview, 20 July 2011.

Though *Netzeitung* never found a sustainable business model, it was able to survive year after year thanks to repeated changes in ownership and continued investment. As Ahlrichs explains, ‘each new investor brought in fresh capital, much needed to cover our increasing unpaid bills’.



Figure 2.1. Netzeitung.de front page design, 29 Nov. 2003 (via waybackmachine.com)

In the course of its almost 10-year existence, *Netzeitung* changed hands several times. Six different publishers controlled the enterprise, starting with the founding team backed by Spray Network/Lycos Europe, who in 2002 sold to BertelsmannSpringer (a subsidiary of the media conglomerate Bertelsmann), who in turn in 2003 sold the company to the editor Michael Maier and the publisher Ralf Dieter Brunowsky. In 2005, these sold to the Norwegian-owned Orkla Media, which was in turn bought by the British media group Mecom in 2006, which placed *Netzeitung* as part of its Berliner Verlag group. In 2009, Mecom sold its German holdings to the Cologne-based M. Dumont Shaugberg publishing house, which at the end

of the same year decided to reduce *Netzeitung* to an automatic aggregator.³⁰ No publisher controlled the site for more than about two years. Each new incoming owner provided fresh funding to bankroll operations, but also had a different vision and transformed the mission and strategy of the site. (No wonder if the readership was sometimes confused.)

Though some had already written off *Netzeitung*, 2006 may have represented *Netzeitung*'s zenith. By then, it had launched an *OhMyNews*-inspired citizen journalism site called *Readers Editions*, employed about 40 full-time reporters and 20 freelancers operating across online and audio, and attracted around 600,000 unique visitors per month.³¹ The site briefly captured the attention of the American journalist and online commentator Jeff Jarvis, who proclaimed it 'an online revolution that is by and for "das volk" (the people)' and went on to assert that this 'grand experiment in the future of news is succeeding'.³² Jarvis echoed the sentiment of the *Netzeitung* founders when he held the site up as a model for what other news organisations should do: 'I got nowhere trying to convince American publishers to try a paperless paper. They are addicted to ink.'

The optimism was unfounded. 'Actually, *Readers Editions* was one of the few web-oriented projects we managed to launch,' explains Peter Schink, a former *Netzeitung* reporter and now CEO of a consulting agency for online media.³³ 'Besides that, *Netzeitung* always remained tied to the print newspaper model. Mostly we kept aggregating those press agency items, never venturing to gain a scoop or to provide added value.' In 2007, the new owners Mecom tried to introduce some changes in the general style and approach to distinguish the site from its growing number of print-affiliated competitors, and increased its focus on the intersection between new technologies and everyday life. 'The newly launched desk focused on digital lifestyle planned to provide fresh content and to differentiate us from our competitors', explains Domenika Ahlrichs. The site still failed to cover its costs, however, and layoffs became more and more frequent.

Netzeitung got a new lease of life when M. Dumont Schauberg bought Mecom's German assets in January 2009. But after only 10 months, the new publisher decided to close down *Netzeitung*'s independent newsroom. On 6 November 2009 the website published a brief press release: 'Our ongoing financial problems are forcing us to give up on the idea of a web newspaper with its own newsroom. The entire staff will be laid off at the

³⁰ www.netzeitung.de/medien/1536279.html.

³¹ Data from AGOF (Internet Facts 2007-IV).

³² www.guardian.co.uk/media/2006/sep/18/pressandpublishing.newmedia.

³³ Interview, 28 July 2011.

end of 2009 . . . In the future we plan to use the *Netzeitung* website as an automatic aggregator for current news.³⁴

The move from content generator to automatic aggregator had an immediate negative impact on *Netzeitung*'s readership, as is clear from Figure 2.2. Though it never managed to develop a distinct editorial voice or push to the forefront of breaking news in Germany, its readers still seemed to appreciate that it offered some original content.

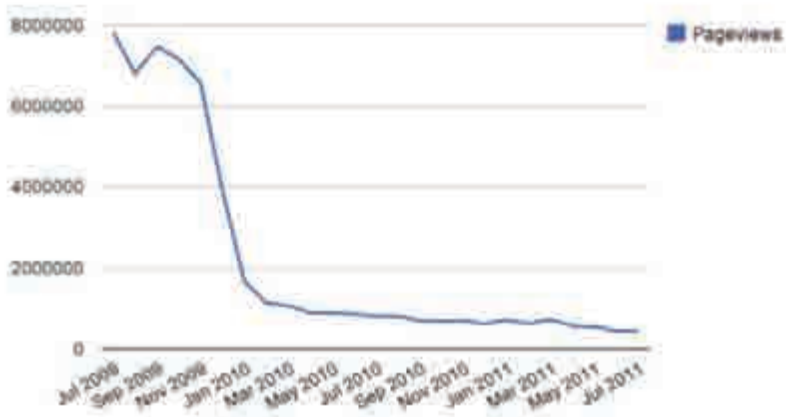


Figure 2.2. *Netzeitung* monthly unique visitors and pageviews: IWV Online Nutzungsdaten (<http://ausweisung.iww-online.de/index.php>)

Why did *Netzeitung* fail? As German newspapers increasingly moved online, it faced tougher and tougher competition as a provider of general interest news on the web. Even at its 2006 peak, its capacity to generate original content was dwarfed by the resources of major newspapers and broadcasters. Dominika Ahlrichs says:

[As long as] Netzeitung was one of the few websites providing a constant flow of updated news, our visitor traffic increased exponentially. When around 2003 mainstream newsmedia landed on the Web, however, we could not hold our position and could not attract new readers, given our lack of a definite brand, easy to recognise and understand by the general public. We tried to produce investigative stories – which were reprinted in some newspapers – in order to better position our brand and

³⁴ www.netzeitung.de/medien/1511499.html.

differentiate ourselves from other competitors, but it was always tough to earn new readers. It's always the same story: it's not important how good you can be at doing journalism, the problem is that people don't know you exist.

Given the absence of a well-known brand name and the raw manpower to compete on general interest news alone, Peter Schink argues that, ironically for a start-up, a further problem was the absence of innovation: 'Since its inception, *Netzeitung* was modelled on a print newspaper and essentially never changed that.'³⁵ With no clear identity, little unique quality content, and no edge in terms of new and attractive formats and genres, *Netzeitung* was overwhelmed by legacy organisations in the competition for people's attention, and failed to generate enough revenues to cover its considerable costs. It found no niche, never managed to diversify beyond its insufficient online advertising income, and operated with very high costs in an increasingly competitive market. This turned out to be a lethal combination when investor goodwill finally dried up.³⁶

Schink insists that, despite its ultimate failure as a journalistic and commercial enterprise, there is a bright side to the *Netzeitung* experience: '[It] provided effective training for a new wave of young and smart reporters, now part of the major online news media outlets.' Indeed they are – many of the people involved in *Netzeitung* now, like Ahlrichs, work on the websites of the legacy media it ultimately could not compete with.

Perlentaucher

Netzeitung represents one extreme of the start-up space, a venture meant to compete for audiences head-on with legacy media, on the basis of its own, original content. *Perlentaucher*, our next case, is a very different entity. It is much smaller and seen by those involved as a complement, not a competitor, to existing media. It is based on curation rather than content creation. It was founded on 15 March 2000 at the tail end of the dot.com boom, five days after the NASDAQ stock market index peaked in the United States.

Unlike *Netzeitung*, *Perlentaucher* did not have large initial funding nor the backing of an existing media corporation like Bertelsmann, or of an

³⁵ Schink quoted as an example his former colleague, Kai Biermann, who recently won the most important award for German online journalism with a data-journalism app for the *Die Zeit*'s website. 'Netzeitung employed many young reporters, very eager to experiment', Schink says.

³⁶ Its forerunner *Nettavisen* has been able to build on its first-mover advantage and remains an active though less prominent outlet in Norway.

internet giant like Lycos. Instead it was launched with €25,000 put together by its four founders, people who came out of the German cultural scene rather than the information technology or mainstream media sectors. Among them were two journalists, Thierry Cherval, a former reporter with the left-leaning newspaper *Tageszeitung* and Paris correspondent for the daily *Süddeutsche Zeitung*, and Anja Seeliger, who had worked for *Spiegel*, *Vogue*, *Tageszeitung*, and *Tagesspiegel*.

Table 2.5. *Perlentaucher* at a glance

Launched	15 March 2001
Staff	4 (full-time)
Operating cost*	€250,000
Initial funding	€25,000
Business model	Advertising, e-commerce, services, from 2011 onwards also donations
Journalism model	Curation
Reference model	N/A
Unique visitors (daily)	N/A
Unique visitors (monthly)**	230,000
Pageviews (monthly)**	1,070,000
Facebook friends***	1,246
Twitter followers***	4,806

* Estimate provided by Thierry Cherval, co-founder of *Perlentaucher*.

** Data provided by AGOF, June 2011.

*** Last checked on 4 Aug. 2011.

Their aim was in a way the opposite of *Netzeitung*'s. Instead of adding more content than was already available, *Perlentaucher* aimed to curate, to draw readers by collating the best cultural stories from German news media in a daily 'press review' column. And indeed, for the last 11 years, Monday to Saturday at 9am, *Perlentaucher* has published a digest of the most interesting topics featured on national newspapers' cultural pages. A sort of online *feuilleton*, in the words of Cherval and Seeliger, the site is aimed at engaging the German intellectual sphere by hand-picking stories – *Perlentaucher* literally means 'pearl diver', and each day, the contributors dive into the sea of content, covering at least 10 different outlets and linking to other online resources on the most debated issues. In their view, this is very different from simply copy-pasting content or automated aggregation. 'This is not an automatic process, nothing to do with Google News or similar aggregators', Thierry Cherval insists.³⁷ The site is about

³⁷ Interview, 22 July 2011.

‘curation’, hand-picking the most interesting content. *Perlentaucher*’s ‘crafty’ and quality approach has been widely appreciated. It won the 2003 Grimme Award for online journalism, and has been called ‘a unique “newspaper of newspapers”’ able to create ‘new formats to enjoy news content on the web’.³⁸

Over the years *Perlentaucher* has expanded its services. It produces a weekly press-review of national news-magazines and of specialised literature (for example, thriller fiction). Sometimes, the site also produces original content. ‘Unfortunately we do not have enough people and time to publish [original content] on a regular basis’, says Cherval. ‘But we try our best to animate the cultural debate on hot issues, like, for example, Islam in Europe or the fight between old and new media.’ In addition, the site hosts a database that includes excerpts from reviews of about 40,000 books on a variety of subjects, originally published by mainstream outlets such as *Spiegel*, *Frankfurter Allgemeine Zeitung*, and *Die Zeit*. Similar to well-known US sites that aggregate and index all movies ever produced (like the Internet Movie Database), this database has given *Perlentaucher* a good page-rank on Google. (For each entry of the database *Perlentaucher* creates a separate webpage optimised for search engine visibility, with the name of the author, the title, ISBN code, the blurb and short extracts of a press reviews published by main newspapers. The cumulative effect of all these pages increases the overall visibility of the site.)

With this combination of specialised offerings, *Perlentaucher* has become, says Cherval,

*the most read cultural online magazine in Germany. Currently we have an average of 300,000 unique visitors per month, a great result considering our niche audience and product. Our readers are mainly highly educated people (journalists, people working in cultural and political institutions), a market niche much appreciated by advertisers because of what they call the ‘multiplier effect’.*³⁹

According to AGOF data, the site reached about 0.5% of the German online population on a regular basis, about the same as mid-sized regional newspapers like the *Offenbach-Post* or the *Westfälischer Anzeiger*, both of whom have paid print circulations around 40,000, sizeable newsrooms, and operating budgets in the millions of euros.

³⁸ www.grimme-institut.de/html/index.php?id=161.

³⁹ According to AGOF data, in June 2011 *Perlentaucher* had 230,000 unique visitors.

Given its small staff (three editors, one webmaster/programmer and about 10 freelance contributors), the site's operating costs are relatively low: €200,000–€300,000 per year.⁴⁰ To cover it, *Perlentaucher* has avoided simple impression or pay-per-click bulk advertising sales and built its own tailored advertising strategy to go with its own tailored curation. 'Our secret weapon', explains Cherval, 'is a visible but non-intrusive advertising banner on the left side of each page: the only option that kept us in business through these years.'



Figure 2.3. Perlentaucher.de, advertising box on the left highlighted in red (22 Jan. 2012)

Usually this advertising banner (see Figure 2.3) features a recently published book, with a short abstract and direct link to the publisher's website and related social media pages. A two-week banner sells for €300 and it is published in rotation with other titles – up to 10 different titles at peak times, such as before Christmas, and down to four or five titles in the summer. According to *Perlentaucher*'s internal data, this banner provides a higher click-through rate than an average online advertising campaign.

⁴⁰ To keep the overall operational expenses low, an administrator works only one day a week and a graphic designer is called up when the need arises.

‘We guarantee at least 30,000 impression hits in a two-week period,’ said Cherval, ‘and even more when there are fewer titles in the rotation cycle.’ If we go by these numbers, €300 for 30,000 impressions, the so-called Cost Per 1,000 Impressions (CPM) for this tailored advertising is an impressive €10. (While such figures are always somewhat artificial, by comparison, *Internet Marketing News* reports that the average CPM in Germany was about €4 in 2010.⁴¹) This tailored approach not only generates a good CPM. It also ensures that most of the revenues go straight to *Perlentaucher*, as there are no intermediaries. ‘After 10-years of online activities, we have a large network of advertisers very interested in our banners, and we can independently manage the entire process’, says Cherval. The site does sell some advertising through an external agency, but under strict conditions: ‘We do not deploy CPM strategies or other low-cost formats, but we rather choose specific ad campaigns that interest our own target audience’, Cherval explains.

Perlentaucher has managed to sell its advertising at a premium by tailoring the format in a way attractive to advertisers with a specific interest in the site’s niche readership. But it has not relied on advertising alone. Cherval again: ‘The vertical box constitutes 35% of our general income, while another 15–20% comes from a partnership with the online bookstore Buecher.de: when users coming from our database buy one of their books, we receive a 10% share.’ Other income sources are basic ads and various extra services, advertising on a newsletter with 10,000 subscribers, and some content syndication. *Perlentaucher* has moved past advertising-only and diversified into e-commerce and services.

Perlentaucher has been financially sustainable for years, but its model has been subject to intense pressure from legacy media organisations dissatisfied with the site’s reuse of their content. This has put the survival of the entire project at risk. In 2005, two major German newspapers, *Frankfurter Allgemeine Zeitung* (FAZ) and *Süddeutsche Zeitung*, filed a lawsuit against *Perlentaucher* for copyright law infringement. They argued that the site was making money out of their content, aggregating and indexing it without adding any original material. *Perlentaucher* was acquitted in both the trial and the 2007 appeal. In 2008, FAZ and *Süddeutsche Zeitung* decided to take the case to the Federal Constitutional Court. The court reached its final conclusion in December 2010. It underlined that ‘generally copyright law allows people to summarise any copyrighted content in their own words and to use those summaries at will’.⁴² The court also, however, asked for a verification of whether

⁴¹ www.internetmarketing-news.de/2010/01/27/tkp-preisverfall.

⁴² www.perlentaucher.de/artikel/6620.html. This stance is akin to what is called ‘fair use’ doctrine in the USA and ‘fair dealing’ in common law.

Perlentaucher's press reviews were indeed mere copies of the original content. A total of 60,000 press reviews were examined: 20 were found to have infringed on copyrighted content. The court ordered *Perlentaucher* to rewrite these, but it did not find the site guilty and did not award any compensation. In Thierry Cherval's view, 'that was a clear 75% victory'. (*Süddeutsche Zeitung* saw the percentages somewhat differently, calling the decision a 'partial success'.⁴³)

The *FAZ/Süddeutsche* lawsuit has not been the only legal challenge. In 2007, a story published in *FAZ* forced *Perlentaucher* to stop publication of a trilingual press review called 'EuroTopics' on behalf of the Federal Agency for Civic Education.⁴⁴ The site had won a sizeable contract for this service (in partnership with Courier International, a French outlet part of the Le Monde publishing group). The *FAZ* article revealed that the press reviews involved 'automatic compilation' of content without any original contributions and argued that *Perlentaucher's* business model was all about finding ways of making money off other's content with little regard for the originators' copyright concerns.⁴⁵ After the story broke, the federal agency involved decided to back out of the deal with *Perlentaucher* and Courier International and issue a new tender. This was eventually won by another bidder. Thus, *Perlentaucher* lost what Thierry Cherval calls 'our most important contractor job. It was an hard blow for our finances.'

Despite the legal complications, *Perlentaucher* has managed to survive beyond its tenth anniversary. It seems sustainable, though the current economic crisis has put the site under increased financial pressure. In 2011, for the first time, it launched a fundraising campaign aimed at its readership. This brought in about €22,000 in donations over two weeks. (Equivalent to close to 10% of annual operating costs.) 'This cash flow has been essential to help us in overcoming a very difficult moment', Thierry Cherval later wrote on the website.⁴⁶

Operating in a consolidated media market dominated by many diverse and often strong incumbent legacy media, *Perlentaucher* offers a unique form of curated content that helps its readers navigate the sea of content produced by dozens of other German publications. It has consistently kept costs low and has not been dependent on outside investors. It has successfully diversified beyond advertising. Quality curation oriented towards cultural enthusiasts is the niche the site has made its own. Its longevity, stable traffic figures, and its recent success in asking for

⁴³ www.sueddeutsche.de/medien/urteil-im-urheberrechtsstreit-teilerfolg-fuer-faz-und-sz-1.1030661.

⁴⁴ www.perlentaucher.de/artikel/4510.html.

⁴⁵ www.faz.net/aktuell/feuilleton/medien/internet-die-gedanken-der-anderen-1435190.html.

⁴⁶ www.perlentaucher.de/artikel/6715.html.

donations suggests it has managed to build and sustain a loyal community of readers. For supporters, *Perlentaucher* brings quality curation and ‘freshness and [a] sharp pen’ to media coverage of culture in Germany.⁴⁷ For detractors, it is little more than a rewrite desk living off other people’s content. Its continued survival is a constant reminder of the simmering conflict between content producers and various kinds of aggregators and curators – a conflict that will continue to shape the future of the journalism business.

The European

Table 2.6. *The European* at a glance

Launched	September 2009
Staff	14
Operating cost (yearly)*	N/A
Initial funding*	N/A
Business model	Advertising, advertorials, events, consulting
Journalism model	Opinion and analysis
Reference model	<i>Guardian’s</i> ‘Comment is Free’
Unique visitors (daily)**	3,000–5,000
Unique visitors (monthly)**	120,000
Pageviews (daily)**	10,000
Facebook friends***	5,892
Twitter followers***	2,857

* *The European* management did not want to disclose the operational costs and the initial funding of the project.

** Estimate provided by Alexander Görlach, founder of *The European*.

*** Last checked on 4 Aug. 2011.

By 2009, as the pioneering but ultimately unsuccessful *Netzeitung* was winding down, it seemed clear that Germany was an inhospitable place to launch a general interest online-only news outlet competing directly with legacy media online. The question was, however, whether its highly consolidated and generously supplied media market still has room for more specialised niche publishing ventures aiming to generate more original content than a small boutique outlet like *Perlentaucher*. One person who believes that a new wave of hi-tech entrepreneurship rising around in Germany will also hit the media business is Alexander Görlach, founder of *The European*. (The title is in English, most of the site in

⁴⁷ www.goethe.de/wis/med/idm/tre/en5948593.htm.

German.) ‘On the road from Silicon Valley to Tel Aviv now there is also Berlin’, he says, referring to the roughly 60 different information technology start-ups based in the German capital, his own amongst them.⁴⁸ His site he defines, in its mission statement, as an online-only ‘opinion magazine that covers important political and cultural issues within the framework of journalistic news analysis’.⁴⁹

Born in 1976, Görlach already has experience from many different fields. In addition to a doctorate in theology, he has worked as deputy press spokesperson for the conservative CDU/CSU in the German parliament, written for a range of media outlets, worked in PR for the automobile company BMW, and edited the online site of the conservative political magazine *Cicero*. His view is that only the internet can save quality journalism, especially analysis and in-depth stories. ‘Breaking news is available everywhere online,’ says Görlach. ‘We have jumped straight from a daily update – the newspaper – to live feeds and constant tickers. *The European* wants to step into that void and provide original commentary and analysis to give depth and perspective to current news.’ The site is based on the idea that quality debate and analysis is largely absent from the internet. As Görlach puts it, ‘we realised that the dramatic surge in news availability was not balanced by a rise in adequate analysis to put such news into context. It is too easy to accept the news at face value without critically examining it, and without asking: What does this tell us? Why is it important?’

The most direct candidate as a role model for *The European* is the *Guardian*’s ‘Comment is Free’ section, but Görlach mentions other inspirations:

We are always keen to know what other journalistic outlets are doing, so obviously we tend to follow US-based websites even if their business is not opinion journalism: ProPublica, Slate, Politico, Good Magazine, the Huffington Post, Atlantic, TPM, the Daily Beast, etc. It’s all part of a larger dialogue to figure out how quality journalism could make use of technological innovation and be supported by a viable business plan.

The European publishes ‘two or three debate pieces, two or three articles by regular columnists, and around two interviews per week’, explains Görlach. The main articles resemble classic blog posts: strong opening

⁴⁸ Interview, 11 Aug. 2011.

⁴⁹ www.theeuropean-magazine.com/mission-statement.

images, stories with an analytical or polemical ambition of around 500–600 words, often by prominent writers paid a fee to contribute.⁵⁰ The prestige of the authors that it hosts is an explicit selling point for *The European*. ‘For any debate on current affairs, we host the opinion of the most authoritative sources: University professors, politicians, financial experts, journalists, and so on’, says Görlach. Contributors are invited to take a clear stand on various debates that are framed by *The European*’s editorial staff. For example, in August 2011, discussions focused on famine in Africa, the economic crisis worldwide, the democratisation process in Middle East, and the future of the euro.

The website also publishes commentaries and interviews on various more specialised topics like neuroscience, physics, and literature – probably not something to attract a mass audience. But that is not the point. *The European* deliberately targets ‘influentials’ and ‘social multipliers’ (terms taken from advertising and marketing jargon) as its preferred target audience. As Görlach has made clear in a recent interview, the site is not interested in building bulk pageview figures, but in cultivating a niche audience ‘with a monthly income over 2,000 euros’.⁵¹ This represents the ‘hard currency’ of *The European*.⁵² Like many other journalistic online start-ups, the site is explicitly oriented towards an affluent and well-educated audience.

Some German commentators argue that *The European* is more narrowly targeted than that, and that it has a conservative political agenda. Matthias Schwenk, part of the group behind the community blog *Carta.info* has defined it as ‘a right-wing *Freitag* with the vanity of *Cicero*’.⁵³ (*Freitag* is a well-known left-leaning magazine; *Cicero*, the magazine Görlach previously worked for, is a conservative publication based on personal commentaries.) The new media portal Meedia highlights that it was founded by ‘a self-declared conservative’.⁵⁴ However, according to Görlach,

⁵⁰ The English version of *The European* (www.theeuropean-magazine.com) has a different graphic layout (in columns, similarly to a paper magazine) and no advertising at all.

⁵¹ <http://meedia.de/internet/nachrichten-machen-keine-starken-marken/2009/07/30.html>.

⁵² To increase its overall visibility, the website has recently launched an English version and a blog managed by Görlach on the *Huffington Post*. *The European* is also partnering with other German newsmedia projects. Görlach explains: ‘Many journalistic websites have been very receptive to our approach to online journalism, entering into long-term content partnerships with us. *Focus*, *Der Standard*, n24 and the T-Online news websites are co-authoring original content with our staff, instead of trying to produce it themselves.’

⁵³ <http://carta.info/15700/the-european>.

⁵⁴ <http://meedia.de/internet/die-wir-seligkeit-bei-the-european/2011/01/27.html>.

The European has no particular political leaning. Politicians from all parties – from the Socialist Left to the Social Democrats, the Green Party, the Free Liberals and the Christian Conservatives – have contributed their opinions. A broader debate requires the acceptance of dissenting opinions as important contributions to the overall discourse.

It remains unclear how many people are interested in what *The European* has to offer. The site has not joined AGOF's standard traffic data service. The only available data are those provided directly by Görlach. He says the European has an 'average of 3–5,000 unique visitors per day, for a total of 300,000 pageviews per month'. He does not want to disclose information about operating costs, but as of the summer of 2011, the site employed 10 full-time reporters and four other people working on administrative tasks and sales/marketing purposes. (A cautious estimate, based on the figures provided by *Perlentaucher*, would suggest annual operating costs somewhere in the region of €1m for this size of operation.)

Whereas the traffic and day-to-day finances of *The European* are opaque, its ownership structure is public.⁵⁵ Görlach himself owns 38%, as does Team Europe Ventures, a Berlin-based venture capital firm funding several German start-ups. J. C. M. B. Beteiligungs, a private equity firm, owns another 10% and individual investors the rest. Lukasz Gadowski, the CEO of Team Europe Ventures, has explained the rationale behind his investment in *The European*: 'We believe there is still room for targeted advertising, that is, to deliver our content to high income and education customers to attract high-end advertisers. We are also experimenting with other ways to locate niche revenue sources.'⁵⁶

From the very beginning, *The European* has (like *Perlentaucher*) avoided CPM-based advertising. The site has hosted only advertisements by well-known brands, such as Vodafone, Google, and Volkswagen. A banner is in rotation on each page, along with specific 'advertorials', content requested by the same advertisers modelled on the debate framework used throughout the site (see Figure 2.4). Görlach says that combined contracts for advertising and advertorials account for about half of *The European's* overall income, while the other half comes from the organisation of public events and a consulting unit on social media. For example, in recent years, *The European* has hosted two major events in Berlin for BMW, one of its main sponsors (and one of Görlach's previous

⁵⁵ <http://gruenderszene.de/datenbank/unternehmen/the-european>.

⁵⁶ www.lukaszgadowski.com/alexander-gorlach-und-team-europe-ventures-grunden-online-magazin-the-european.

employers). Event planning and consulting is managed by separate teams, in order to assure the independence of the newsroom. According to the mission statement, ‘contractual agreements about event organising or consulting services have no impact on journalistic coverage and editorial decisions’.⁵⁷



Figure 2.4. European.de, example of advertorial (22 Jan. 2012)

Overall, *The European* has adopted a business model that is closer to that of tech-blogs in the United States (such as Read/Write Web and TechCrunch) than those associated with classic news publishers. Advertorials and consulting work would be considered very controversial for people coming out of newspapers for example, but is not unheard of in trade publishing.⁵⁸ Both provide *The European* with welcome

⁵⁷ www.theeuropean.de/mission-statement.
⁵⁸ European edns of the *Huffington Post* have also experimented with advertorials, see www.editorsweblog.org/2012/02/24/huffington-post-uk-launches-advertorial-inspiration-section.

opportunities to diversify beyond online advertising and search for additional, non-traditional, sources of revenue. The influence of Team Europe Ventures, with its roots in the technology sector, is clear. As Gadowski has explained to Wired.co.uk, his company is committed to taking chances on start-ups: ‘In 18 months I invested in 80 companies and co-founded another ten. It was kind of crazy. Some of them failed, but some were very successful.’⁵⁹

Whether the European will end up in the ‘failed’ or the ‘successful’ end of Team Europe Ventures’ investments is still an open question. Many parts of the German legacy media industry would probably contest Görlach’s claim that there is no in-depth analysis and quality debate on offer, and both newspapers and news-magazines continue to draw both more traffic and more prominent contributors than *The European*. Its operating costs are unknown to us, but could conceivably be covered by premium advertising+advertorial deals and cross-subsidising from event planning and consultancy. It all depends on what kind of readership it can attract. Whether there then is a niche for *The European* in a country with 10 national newspapers and weeklies like *Spiegel*, *Die Zeit*, and *Focus* oriented towards a comparable audience remains to be seen.

Conclusion

The German economy is the envy of Europe, the innovativeness of its engineers legendary, and the German legacy media industry remains solid, diverse, and widely used. There is less to admire in Germany when it comes to journalistic online start-ups. There are fewer new ventures there than in France or Italy. The rise and fall of *Netzeitung* shows how hard it has been for journalistic online start-ups to establish themselves in Germany, especially when in direct competition with the incumbent industry. *Netzeitung* basically took an old format and put it online, but it became increasingly irrelevant when legacy players started doing the same thing, only better. Internet access and use is growing, and so is the online advertising market. So far, however, legacy media rather than new entrants have dominated online journalism in Germany. With a consolidated and diverse mix of well-established newspapers, news-magazines, and broadcasters increasingly moving online, few start-ups have found niches to sustain themselves.

⁵⁹ ‘Europe’s hottest startup capitals: Berlin’, Wired.co.uk, 15 Aug. 2011: www.wired.co.uk/magazine/archive/2011/09/european-startups/berlin.

Perlentaucher is one of the exceptions, a site that has succeeded by creating and sustaining a loyal community of readers gathered around quality curation of coverage of culture. It is a small boutique operation based on time-consuming hand-picking of stories and fuelled in large part by the enthusiasm of the founders, funded by a tailored advertising format and diversification around the distinct niche of cultural coverage. It is clear, however, that this model, whilst sustainable, does not provide for easy expansion – especially as legacy players are closely monitoring *Perlentaucher's* activities and the next potentially fatal lawsuit is always only one wrong move away.

To succeed, *The European*, a more recent start-up, will have to attract a larger audience and create its own loyal niche readership of affluent readers attractive to advertisers. Whether its mix of analysis and opinion is distinct enough to compete with legacy media catering to the same interests remains to be seen. So far, *The European* has done little to embrace new web-native formats of narration or engagement to differentiate itself from the bountiful (and mostly free) online offerings of Germany's diverse legacy media. Its audience remains limited and its business depends on advertorials, event planning, and consultancy work.

Beyond the case studies examined here, few other start-ups stand out. One highlighted by some, *Carta.info*, has been struggling to stay active. The founder, Robin Meyer-Luch (who died in September 2011), wrote openly about the problems on the site itself:

*Last December [2010] I announced a restructuring stage for Carta, and our small group of editors have been discussing our growing and funding options, along with a new marketing expert. In my opinion, the final proposals have been unsatisfactory and unsustainable. I must also admit that only with reluctance did I decide to continue to remain in charge of Carta's daily operations.*⁶⁰

Such are the sorrows of many young German start-ups, eking out an existence at the margin of a market dominated by incumbents.

More promising is the growth of a number of local journalistic start-ups, like *Ruhrbarone* (launched in 2008), *Regensburg Digital* (2009), and *Heddesheimblog* (2009). Sites like these have challenged local long-time newspaper monopolies and at their best provide both hard-hitting local news reporting and a varied mix of sometimes idiosyncratic opinion and

⁶⁰ <http://carta.info/40555/carta-macht-pause>.

lifestyle content. Most of these are run primarily by one person, often an experienced local journalist, who works with a network of local paid and volunteer contributors. Their business models vary somewhat. *Ruhrbarone* publishes an occasional print magazine sold for €8.95 per copy. *Regensburg Digital* has a group of ‘members’ who contribute to the site. In 2010, Hardy Prothmann, who founded the *Heddesheimblog* in 2010 and also serves as an ‘independent councilman’ in Heddesheim, said his wife’s income helped support his work.⁶¹ By now, he is running a network of six local blogs oriented towards various communities and has, with a partner, started Istlokal, a company meant to provide hosting, support, and development plus various forms of advice and feedback for other German-language hyperlocal journalistic start-ups.

But the online reach of many legacy media, combined with their capacity to continually bankroll large-scale and sometimes loss-making online operations that make quality content available for free, is a serious challenge for pure players trying to break even in Germany. According to Lorenz Lorenz-Meyer, ‘the German online market is shaped by large target audiences. Advertisers rely on visitor stats and impression hits for their investments, therefore small and niche-oriented websites can hardly compete with legacy media players.’ Arguably, this kind of competition was what killed off *Netzeitung*. In its attempt to generate audiences large enough to attract significant advertising revenues, it built a newsroom it was unable to sustain. Its failure to survive is a warning to similar ambitious start-ups elsewhere trying to compete head-on with more well-resourced legacy media investing in online operations.

This does not mean that there are no opportunities for journalistic start-ups in Germany, only that they are likely to be found in the gaps left by legacy media. This can be original content, if carefully targeted to underserved audiences, innovative use of new formats and forms of engagement still adopted only haltingly by legacy media, or a change in the advertising market driven by new behavioural targeting techniques and the like that may increase the value of small, carefully cultivated audiences.⁶²

The gaps may also grow as parts of the incumbent industry, in particular newspapers, retrench. Though the online operations of some – most notably *Spiegel Online* and parts of the Axel Springer empire – are already profitable, it is worth keeping in mind that even the legacy media

⁶¹ www.goethe.de/wis/med/idm/tre/en6176918.htm.

⁶² Schröder et al., *Mapping Digital Media: Germany*, notes that some niche websites serving Germany’s various immigrant communities have thrived, including *turkdunya.de* and *rc-welt.com*, oriented towards Turks and Russians, respectively.

which dominate online news provision in Germany are struggling to break even. As Lorenz Lorenz-Meyer puts it, ‘today most young people prefer to get their news online, [but] nobody seems able to effectively take advantage of this’. Powered by revenues from other platforms, legacy media can currently afford to run their online operations at a loss while using them as loss-leaders and searching for the business models of the future, but this model will not last forever (hence a growing interest in experimenting with paywalls and the like in Germany as elsewhere).

So far, in part precisely because of the strength of the incumbent industry, Germany has proven particularly inhospitable to new journalistic online start-ups who mostly operate at the periphery of the country’s media system. It is not clear that this will change in the near future. The next ambitious *Netzeitung*-type initiative is nowhere to be seen, and even small niche ventures are often struggling. ‘In the past I have been quite optimistic about [online-only journalism] in Germany’, says Lorenz Lorenz-Meyer, ‘but today I am very doubtful.’

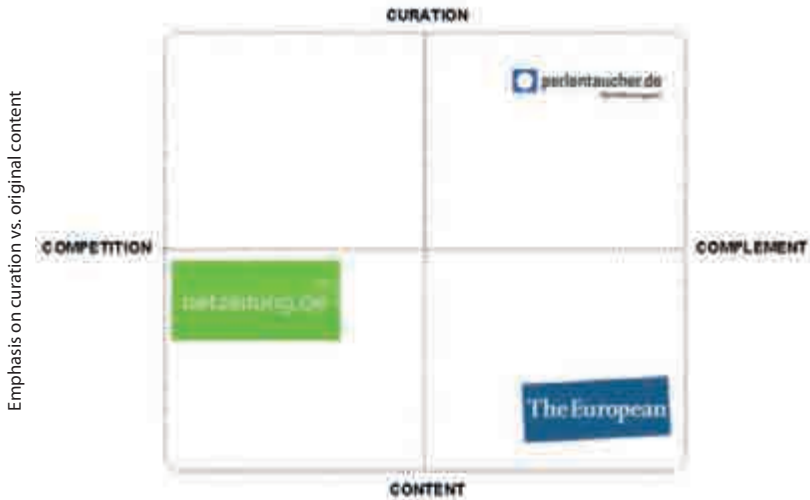


Figure 2.5. German pure players

3: France: A 'Nouvelle Vague' of Start-Ups

Since 2005, France has witnessed a veritable explosion of new journalistic online start-ups experimenting with a variety of formats and business models. Whereas start-ups in Germany have made little headway and have left no great impression on the wider media system so far, new ventures like *Mediapart* and *Rue89* have shaken up the French scene and challenged the dominance of legacy media online, beating them to some stories and building sizeable audiences.

Just as the cinematographic 'Nouvelle Vague' disrupted inherited ways of filmmaking in the late 1950s and early 1960s, this new wave of journalistic online start-ups aim to break with the traditional paradigms of French journalism and the French media business. As with the movies of Jean-Luc Godard, François Truffaut, and others, these creative endeavours are not always equally successful in commercial terms. But they represent professional ambitions and new innovative practices that some feel have been stifled for too long by an incumbent industry preoccupied with its own institutional and economic challenges.

The challenges facing legacy media in France are considerable. Newspapers in particular are struggling, potentially leaving more gaps in the market for start-ups to exploit than exist in a country like Germany. As pointed out by Alice Antheaume from the journalism school at Sciences Po in Paris, the 'crisis of the French press is nothing new. It is rooted in a general model created sixty years ago.'⁶³ The French newspaper industry consists of a string of Parisian titles with national distribution but limited circulation and a larger regional press with broader reach. While the spread

⁶³ Antheaume, 'The French Press'.

of free metro newspapers has kept overall reach up, total paid circulation per capita is less than half of Germany's and is declining at a faster pace. Several titles are in serious difficulties. Much of the industry is dependent on a complex combination of state subsidies and co-operative forms of production and distribution that some commentators argue actually inhibit the development of stronger papers while keeping marginal titles afloat.⁶⁴

The disruptive rise of the internet and then the economic crisis thus hit a fragile industry and one poorly prepared to deal with it. In response, newspapers appealed to the state for more help, and in 2009, the Sarkozy government passed a string of provisions to help the troubled Fourth Estate, providing a total of more than €200 million of additional annual support for an initial three-year period. This help has tided over some publishers, but many continue to struggle. The well-known liberal daily *Le Monde* was saved from bankruptcy only when it was bought by a trio of billionaire investors in 2010. Existentially threatened, many newspapers have been slow to move online in force. In France, in contrast to Germany and Italy, the top online news sites are those of broadcasters – TF1 and France Televisions – and not newspapers. Most sites are conservative in their approach to new formats, social media, and the like. Convergent newsrooms, increasingly adopted elsewhere, are rare. ‘The most popular model is still based on separate newsrooms for the print and web editions, starting with *Le Monde.fr*, *Le Figaro.fr* and moving downstream,’ says Antheaume. ‘This approach reflects a broader cultural lag with respect to the Anglo-Saxon countries, where newsroom integration is the norm nowadays.’⁶⁵

With its struggling legacy media and abundance of start-ups, the current French media landscape may provide a glimpse of the future of new media entrepreneurship elsewhere. While few start-ups catch the eye in Germany for example, France is home to many new ventures. Consider the list of some of the most prominent journalistic online start-ups launched in recent years given in Table 3.1.

⁶⁴ Ibid.

⁶⁵ Interview, 13 July 2011.

Table 3.1. Some prominent French journalistic online start-ups

Launched	Name	Journalism model	Business model
2005	AgoraVox	citizen journalism	advertising, moving towards services and donations
2006	Bakchich	satire, investigative journalism	advertising, weekly print magazine
2007	Rue89*	general news, investigative journalism, analysis and opinion	advertising, services, monthly print magazine
2007	Citizenside**	citizen journalism	UGC sold to mainstream media companies, journalism training, software licensing
2008	Mediapart	investigative journalism, analysis and opinion	paid subscriptions
2007	Arrêt sur images	media analysis	paid subscriptions
2007	Obiwi	pro-am content	advertising
2009	Slate.fr	magazine (analysis and comment)	advertising, content syndication
2009	Owni	commentaries, data-journalism	web-design, social media consulting, services, digital media training
2011	Atlantico	general news, investigative journalism, analysis and opinion	advertising
2011	WorldCrunch	English translation of media stories from international newspapers	content syndication

* In Dec. 2011 *Rue89* was bought by Claude Perdriel, the owner of weekly magazine *Le Nouvel Observateur*.

** Since 2007, Agence France Presse (AFP) has held a minor share of *Citizenside*.

Their journalistic and creative ambitions aside, most of these projects are still struggling to find sustainability. Several have closed, including *Bakchich*, a project based on satire and investigative journalism that had been promoted as a web competitor to the renowned print weekly *Le Canard enchaîné*. Acknowledging that revenues from online advertising and a printed weekly magazine (with about 12,000 paying subscribers) could not cover costs, the venture filed for bankruptcy in January 2011.⁶⁶ *Owni*, which has been praised as a pioneer in the fields of data journalism and online data visualisation, also faced some problems by the summer of 2011. Its business model, based on free content given away to promote the company's web app development and consulting services, could not

⁶⁶ In June 2011 *Bakchich.info* was relaunched online with a leaner website and more modest ambitions.

support its multi-lingual website and 30 staffers. After a refinancing round which provided a much-needed boost for the project, *Owني* has downsized its staff and reorganised its editorial mission.⁶⁷ *Slate.fr*, a French version of the well-known US web-magazine, generated about €800,000 in revenues 2009–10, but operating costs were twice that.⁶⁸ The site aims to at least double its traffic and grow its content syndication business to break even. *Atlantico*, a more recent start-up, is, according to commentators, trying to find a niche by positioning itself as a right-leaning alternative to the leftist sympathies that characterise most French start-ups (many publications in France are explicit about their political line). In terms of content and formats, it draws on inspiration from US start-ups like the *Huffington Post*, *Politico*, and the *Daily Beast*, but also from its French competitor *Rue89*.⁶⁹ This site too needs more traffic and additional revenue streams to cover operating costs.

Despite the relative weakness of many legacy media and the relative vitality of the start-up scene, online news is still mostly dominated by well-known incumbents. Tables 3.2 and 3.3 provide a list of the 10 most visited websites in France (none of them focus on professionally produced original content), and the 10 most popular online news sites, with additional data on journalistic start-ups added at the bottom of the second table. While no pure players are in the top 10, the distance between the most successful start-ups and many legacy media is less pronounced than in Germany. Whereas *Bild* and *Spiegel* both have almost 10 times as many unique visitors as *Netzeitung* had in 2009, even national newspapers like *Le Monde* and *Le Figaro* have only about three times as many unique visitors as for example *Rue89* – and all the three start-ups examined here have more online traffic than venerable newspaper titles like *La Croix* and *L'Humanité*. (Sites marked in orange are associated with print legacy media, sites marked in yellow with broadcast legacy media, sites marked in green are journalistic online start-ups.)

⁶⁷ www.liberation.fr/economie/01012346097-owni-prend-de-l-altitude-grace-a-l-entremise-de-bhl.

⁶⁸ <http://archives.lesechos.fr/archives/2011/LesEchos/20888-133-ECH.htm?texte=slate>. The site currently reaches about one million unique visitors monthly: www.lesblogsmedias.fr/2011/03/11/32804-slate-fr-fete-ses-deux-ans-de-succes.

⁶⁹ www.lexpress.fr/actualite/politique/avec-atlantico-la-droite-veut-monter-sur-le-web_958984.html.

Table 3.2. France, top 10 websites – June 2011

Website	Monthly unique users
Google	36,256,000
Facebook	27,041,000
MSN/Windows Live	26,199,000
YouTube	20,886,000
Orange	20,055,000
Free	16,879,000
PagesJaunes	15,947,000
Yahoo!	14,848,000
SFR	11,955,000
L'Internaute Magazine	10,804,000

Source: Mediametrie/Nielsen NetRatings, June 2011.

Table 3.3. France, top 10 news websites – June 2011

Website	Monthly unique users
TF1/Wat	9,502,000
France Televisions	8,361,000
Le Figaro	6,370,000
Le Monde	5,822,000
20minutes.fr	5,356,000
L'Express.fr	5,203,000
Tele Loisirs	5,179,000
Le Nouvel Observateur	5,102,000
M6	4,726,000
L'Equipe	4,488,000
...	
Rue89	2,062,000
Mediapart	659,000
AgoraVox	649,000

Source: Mediametrie/Nielsen NetRatings, June 2011.

Online news sites in France, whether those of legacy media or of start-ups, are propelled by growth in internet access and use as well as in online advertising spend. While France was for some years slightly behind Germany and other Northern European countries on several information society indicators, the country has caught up. Eurostat reports that 74% of the population go online regularly. Those who are online are increasingly getting their news there too. According to the 'Media in Life 2010' report by the analytics company Médiamétrie/Nielsen Netratings, the internet is an increasingly important part of the daily media mix of most people,

especially younger online users, who now use the web more than they do print or radio.⁷⁰

Again initially somewhat more slowly than elsewhere in Europe, advertising is also moving online. According to Zenith Optimedia, the internet share of overall advertising is now almost 20%, slightly higher than in Germany. Television continues to attract the largest share of advertising in France, but the internet is the fastest growing major platform (12.8% year-on-year), while for example print remains stagnant at best.

Table 3.4. French advertising market

	Advertising spend (2011)	Market share (2011)	Growth (2011 vs. 2010)
Television	€3,399m	34.9%	1.2%
Newspapers	€915m	9.4%	-2.7%
Magazines	€1,443m	14.8%	-2.9%
Radio	€744m	7.6%	0.0%
Internet	€1,212m	19.8%	12.8%
Outdoor	€1,926m	12.4%	2.0%
Other	€109m	1.1%	21.0%
<i>Total</i>	<i>€9,748m</i>	<i>100%</i>	<i>2.5%</i>

Source: Zenith Optimedia (all figures in current euro)

Growing internet access and use combined with a rapid expansion of the online advertising market is luring both legacy media and journalistic start-ups online. But competition is intense. In France as elsewhere, US-based internet giants capture a large share of traffic and revenues. Google attracts a majority of search advertising in France and with 36,256,000 monthly unique visitors is the most popular web destination in France. Facebook too is well positioned: thanks to 27,041,000 monthly unique visitors it now generates about 20% of all display advertising impressions in France.⁷¹ Neither makes any investment in original content in French. This has generated heated controversy in France, and some parties have suggested the introduction of a so-called ‘Google tax’ on online advertising to generate revenues for further public support for online content creation (similar to the taxes already in place for ISPs, telecommunication companies, and private broadcasters over a certain size used to fund subsidies for producers of original French-language content). So far, this idea has not had much traction.⁷²

⁷⁰ www.upf.edu/pcstacademy/_docs/MediaInLife.pdf; www.lefigaro.fr/medias/2011/02/28/04002-20110228ARTFIG00646-les-francais-restent-fideles-aux-medias-classiques.php.

⁷¹ www.comscore.com/Press_Events/Press_Releases/2010/11/French_Consumers_Exposed_to_191.6_Billion_Display_Ads_During_Q3_2010.

⁷² www.nytimes.com/2011/06/24/technology/24iht-google24.html.

The online news media landscape in France is quite dynamic, with varied offerings from both incumbents and new start-ups. Legacy media currently dominate online content provision in France as they do elsewhere, but a string of journalistic online start-ups are competing on original content and innovative use of new formats, and are attracting considerable audiences. In most cases, financial sustainability is still a challenge, but the French 'Nouvelle Vague' of journalistic online start-ups is attracting interest from both investors and outside observers – several of the Italian sites examined in the next chapter refer explicitly to French start-ups as amongst their own inspirations. In the rest of this chapter, we will examine three French start-ups in closer detail, including *AgoraVox*, a citizen journalism-centred pioneering member of the new wave, as well as *Rue89* and *Mediapart*, two of the most ambitious journalistic online start-ups launched in Western Europe in recent years.

AgoraVox

Table 3.5. *AgoraVox* at a glance

Launched	20 March 2005
Staff	9
Operating costs (yearly)*	€300,000
Initial funding	N/A
Business model	Advertising, move towards donations and services
Journalism model	Citizen journalism
Reference model	<i>OhMyNews</i>
Unique users (daily)	N/A
Unique users (monthly)**	649,000
Pageviews	N/A
Facebook friends***	3,435
Twitter followers***	3,333

* Estimate provided by Francesco Piccinini, director of *AgoraVox*.

** Médiamétrie/Nielsen NetRatings June 2011.

*** Last checked on 4 Aug. 2011.

AgoraVox is one of the most prominent European examples of a citizen journalism site, though one originally built around a private for-profit company. Inspired by the South Korean *OhMyNews*, Carlo Revelli, founder of the French consulting agency Cybion, launched the site in 2005 together with Joel de Rosnay (a Mauritian-born French futurist, science

writer, and molecular biologist).⁷³ The ambition was, as Revelli wrote in one of his early editorials, to capture the ‘strategic intelligence’ of the web.⁷⁴ ‘What will revolutionise individual behaviour on the internet is the “watchman attitude”, which is to keep your eyes open and to enrich yourself at all levels: whether to find unpublished information, check a rumour, enrich your knowledge, [to] forge your beliefs.’

Revelli’s attempts to harness online users’ ‘strategic intelligence’ secured an early victory when the French went to the polls to vote on the proposed European Constitution in May 2005. Whereas legacy media largely overlooked the widespread anti-EU sentiment that eventually paved the way for a surprisingly clear vote against ratifying the treaty, ‘this trend emerged much earlier [on *AgoraVox*], with many negative posts against a unified Europe’, says Francesco Piccinini, the director.⁷⁵ ‘The same thing happened in 2007 for the French Presidential election: mainstream media were still focused on the Socialists vs. UMP fight, and failed to notice a broader push toward the centre, which gave 18.57% of the votes to [the independent candidate] François Bayrou. Again, many citizens chose *AgoraVox* to hint at their discontent’, continues Piccinini.

AgoraVox has been going for seven years, and the site has expanded by launching English- and Italian-language versions, by creating the video-sharing platform AgoraTV, and by starting specialised channels like NaturaVox (dealing with environmental issues), Orsérie (well-being), and CareVox (health). *AgoraVox* lets members of its volunteer community publish directly on the site after initial registration and verification. It has built a sizeable community of contributors in France especially. Piccinini says, ‘after six years of activities on the French site, probably over 60,000 people have written at least once and about 6,000 people over five stories each, while about 7,000 users published at least one post in Italian’. (The Italian site launched three years later than the French site.)

The nine-person management team is in charge of checking and editing content and maintaining and developing ties to contributors. ‘We [have] developed a close relationship with the whole community,’ says Piccinini. ‘I know personally at least half of our contributors, and often I give them some advice or suggestions.’

With its emphasis on active participation and collaboration, *AgoraVox* has been a highly visible site and has attracted considerable international

⁷³ Founded in 2000 and based on the idea that ‘every citizen is a journalist’, Oh Yeon Ho’s site has been an inspiration for entrepreneurs around the world and helped move beyond the barren discussions of ‘bloggers vs. journalists’.

⁷⁴ www.agoravox.fr/qui-sommes-nous/article/historique-du-projet-157.

⁷⁵ Interview, 12 July 2011.

attention (it won the 2005 Deutsche Welle International Weblog award). Stories on mandatory vaccination and on poverty in France first reported on the site have subsequently circulated in the mainstream media.⁷⁶ The site has provided an outlet for many grassroots movements often ignored by traditional media, illustrating how differently it approaches traditional journalistic concerns over impartiality and independence. (For example, the Italian version of *AgoraVox* was very active in covering the Naples waste management crisis, long before the emergency peaked in the summer of 2008, relying on the vast amount of multimedia content upload by people and movements active on the ground.)

Despite its initial success, the whole *AgoraVox* network is slowly but steadily losing ground. Both its website and the AgoraTV platform continually grew its traffic until 2009, peaking with 1.2 million unique visitors in October 2009.⁷⁷ Recent data from Médiamétrie/Nielsen NetRatings suggests the French site today attracts barely half of that (649,000 unique visitors monthly).



Figure 3.1. Screenshot, *AgoraVox*; the box highlighted in red in the lower left corner is a pop-up that solicits donations (23 Jan. 2011)

⁷⁶ www.agoravox.fr/enquetes-participatives/article/les-enquetes-participatives-d-39398.

⁷⁷ www.agoravox.fr/actualites/medias/article/bilan-de-l-annee-2009-pour-67117.

Advertising revenues, which pay for the editorial and technical staff plus hardware and bandwidth, are also down. This has forced an internal restructuring and an ongoing online fundraising effort (which brought in about €60,000 last year). (See Figure 3.1.) Display banners on the site are sold on the basis of a standard CPM model. Even with *AgoraVox*'s relatively low operating costs, sustainability on this basis alone will require more traffic. The site is thus trying to diversify into services – and to appeal for state subsidies (available in France to 'online press services'). 'We plan to launch some training classes, after a pilot project currently underway in Italy, along with the possibility of content syndication and even a formal filing for the funding assistance provided by the French government to technology innovators', says Piccinini.

Until the site manages to find a mix of advertising, donations, and services (plus potentially subsidies) that can together cover costs, it will remain dependent on Cybion, the founder Revelli's consultancy agency. The specialised niche channels on environmental issues and more are already managed by a separate newsroom placed within his company, whereas the main *AgoraVox* site since 2008 has been part of the *AgoraVox* Foundation, registered in Belgium. Its board is composed of four members: the two co-founders of *AgoraVox* and Cybion, Carlo Revelli and Joel de Rosnay, Francesco Piccinini (the editor), and a representative of the Société des Rédacteurs (the Contributors' Society – a new community launched in 2008). 'We decided to create a foundation in order to make *AgoraVox* more independent from Cybion, as well as to consolidate its independence from political and financial pressures. In this way we can now provide more freedom of expression to our contributors', explains Piccinini. (If you register a foundation in France, you are obliged to guarantee a seat on the board to a representative of the government.) Beyond the changed legal framework, *AgoraVox* remains operationally dependent on Cybion. Its headquarters in Paris still host the physical newsroom. Carlo Revelli's company continues to pay the telephone bills and other expenses. Piccinini says: 'we plan to move the servers and the physical newsroom away from Cybion as soon as we are able to financially afford this'.

AgoraVox has already closed down its English-language site, which never really took off, and its Italian site has yet to build anything like the traffic of the French original. Generally, 'pure' citizen journalism has not grown into the full-fledged, diverse, and popular alternative to legacy media it was often hailed as being. Frederic Filloux, a French journalist, media analyst, and currently head of the ePresse digital consortium in

France, does not mince words when asked about the trend: 'Citizen journalism . . . was just an intellectual scam. You cannot rely on the efforts of unpaid contributors. You will never get quality content.'⁷⁸ While activists are still self-publishing online – as various branches of the IndyMedia network did well before 'citizen journalism' became a buzzword and as activists associated with the 'Occupy movement' and the 'indignados' in Spain and Greece do today – collaborative content-production by ordinary citizens of a more traditional journalistic character has not taken off in Western Europe. As Alice Antheaume indicates, 'today citizens all over the world can access dozen of social platforms, starting with Facebook and Twitter, to successfully inform about or pursue their advocacy campaigns or activism actions. Sometimes they can break the news, but social media alerts still need to be verified by journalists before any story is published.' In addition, more and more other sites provide outlets for various forms of peer production and user-generated content, including other start-ups like *Rue89* but also parts of sites run by legacy media, such as the *Le Post*, a web property of *Le Monde* (now merged with the French edition of the *Huffington Post*).

The emergence of many alternative (and more individual or loosely networked) platforms for self-publishing may have drained away some of the energy and enthusiasm that powered earlier experiments in citizen journalism. *AgoraVox* initially provided the premier platform for citizen journalism in France, and drew thousands of contributors eager to express themselves, work with others, and sometimes to publish stories they felt were ignored by mainstream media. But today, it faces more competition for people's time and energy, and without a constant influx of citizen contributions, the site itself will lose its appeal. Operating costs are fairly low, but advertising alone has not been enough to cover them recently. The site is trying to diversify beyond that into services and donations and is seeking state subsidies. On that basis, *AgoraVox* may maintain its position in the 'meta-niche' of citizen journalism and continue to provide a platform for people to do various forms of journalism and self-publishing together. The question remains whether it is enough, whether a movement that never really took off in Europe is now nearing its end (or at least the end of a phase). Even the paradigmatic citizen journalism site *OhMyNews* is on the retreat, faced with financial difficulties and charges of illicit benefits from government advertising contracts.⁷⁹ Its international edition, launched to great acclaim in 2004, has been reduced to a simple blog

⁷⁸ Interview, 13 July 2011.

⁷⁹ <http://en.wikipedia.org/wiki/OhmyNews>.

covering the general debate around citizen journalism.⁸⁰ Whether *AgoraVox* will be able to buck that trend, reinvigorate its community of contributors, and find a new financially sustainable niche for citizen journalism in France and elsewhere remains to be seen.

Rue89

Table 3.6. *Rue89* at a glance

Launched	6 May 2007
Staff	26
Operating costs (yearly)*	€2,212,896
Initial funding	€2,200,000
Business model	Advertising, services, print magazine
Journalism model	Daily news, analysis, commentary
Reference models	<i>Salon</i> , <i>Talking Points Memo</i> , <i>Slate</i>
Unique users (daily)**	202,000
Unique users (monthly)**	2,062,000
Pageviews	N/A
Facebook friends***	72,582
Twitter followers***	148,558

* 2010 internal balance sheet.

** Médiamétrie/Nielsen NetRatings, June 2011.

*** Last checked on 4 Aug. 2011.

‘Information with three voices. Journalists, experts, Internautes.’ This tagline accompanied the official launch of *Rue89* on 6 May 2007. This journalistic online start-up encourages user involvement but is, unlike *AgoraVox*, primarily built around a separate newsroom staffed by professional journalists. Many of those involved in the new venture came out of the newspaper industry, including the founders and investors Pierre Haski and Pascal Riché (well-known reporters at the left-leaning daily *Libération*), but the site has embraced new web formats and forms of participation to a much greater extent than most legacy media, always stressing the importance of being an independent ‘pure player’.⁸¹ The site ceased to be that in December 2011, when it was announced that *Rue89* had been acquired by *Le Nouvel Observateur*, one of the most popular weekly magazine and online websites in France. (As one *Libération* reporter commented then: ‘*Rue89* is now less pure.’⁸²)

⁸⁰ www.digitaljournal.com/article/295823.

⁸¹ Founded in 1973 by the philosopher Jean-Paul Sartre and the activist-journalist Serge July, *Libération*’s sales have been steadily declining in recent years. The paper has been facing serious economic difficulties and sought external investment. In 2006 a 37% ownership share was sold to the mogul Edouard Etienne de Rothschild, causing uproar in the newsroom.

⁸² www.ecrans.fr/Rue89-un-peu-moins-pure,13757.html.

Launched the day after Nicolas Sarkozy's victory over Ségolène Royal in the French 2007 Presidential Election, *Rue89* quickly delivered its first scoop: Cecilia Attias, Sarkozy's then wife, had not voted for her husband in the decisive second round of the election. This may not seem like a major news item, but it turned out that the story had been deliberately ignored by the weekly *Le Journal du Dimanche*, owned by the Lagardère group (a conglomerate seen by some as quite close to Sarkozy). Journalists at Lagardère's various media properties protested against what they termed 'unacceptable censorship' and *Rue89* was credited for breaking a story that was ignored by legacy media.⁸³

Since its start, *Rue89* has pioneered a new approach to journalism in France, privileging innovation, openness, and independence in a media system often seen as conservative, closed, and intertwined with the country's political and economic elite. The '89' in the name is an oblique reference to three crucial events in history – the French revolution (1789), the fall of Berlin wall (1989), and the invention of the Web (1989) – while 'Rue' (street) is meant to invoke the image of 'free circulation, meet-up, life events'.⁸⁴ Pascal Riché, the current editor-in-chief highlights a combination of a strong editorial voice and original in-depth coverage as amongst *Rue89*'s innovative contributions to the French media system. 'We are a daily news website interested not just in publishing press agencies' items, as most mainstream outlets are. We always try to provide a fresh viewpoint, to surprise our readers somehow.'⁸⁵ The emphasis on the site is on original content, breaking news, investigative reporting, analysis, and opinion pieces.

As for openness and user involvement, these are important parts of what the site offers people – but in a way that has little to do with images of free-wheeling citizen journalism, crowdsourcing of analysis, or unfiltered user-generated content (UGC). 'Users can provide ideas or suggestions, but we decide what to publish. And along with some of their commentaries, we have stories by experts such as academics, lawyers, union executives, businesspeople, etc.' The aim is to supplement professionally produced content with pro-am collaborations with a stronger emphasis on the *professional* than the *amateur*. (Michel Lévy-Provençal, one of the founders of *Rue89* has dismissed this path as something that has made the site a 'marketing success' but left it a 'journalistic failure' because it continues to privilege inherited forms of

⁸³ www.lemonde.fr/societe/article/2007/05/15/apres-les-syndicats-les-journalistes-du-jdd-denoncent-une-censure-inacceptable_910545_3224.html.

⁸⁴ www.rue89.com/les-faq#1.1.

⁸⁵ Interview, 12 July 2011.

professionalism over the kind of reader involvement emphasised by, for example, *AgoraVox*.⁸⁶) *Rue89* encourages user participation and aims to foster an online community around the site, but is not interested in citizen journalism in the more primordial sense of the word. In an interview with the *New York Times*, Pierre Haski explained his stance: ‘The idea you sometimes hear that everyone wants to be a journalist is completely idiotic. People don’t want to be ringing up police headquarters to check out some fact. But at the same time, they don’t want journalism delivered from the top either.’⁸⁷

Rue89 has explicitly tried to challenge the major legacy media organisations and aimed for a broad readership rather than a small niche audience. It has had some success in this respect, as reflected by its constant growth in traffic – in 2008, the site had an average of about 650,000 unique monthly visitors; in 2009, it had grown to almost 1.3 million unique monthly visitors; and by the middle of 2011, it was above 2 million unique monthly visitors (as shown in Figure 3.2).

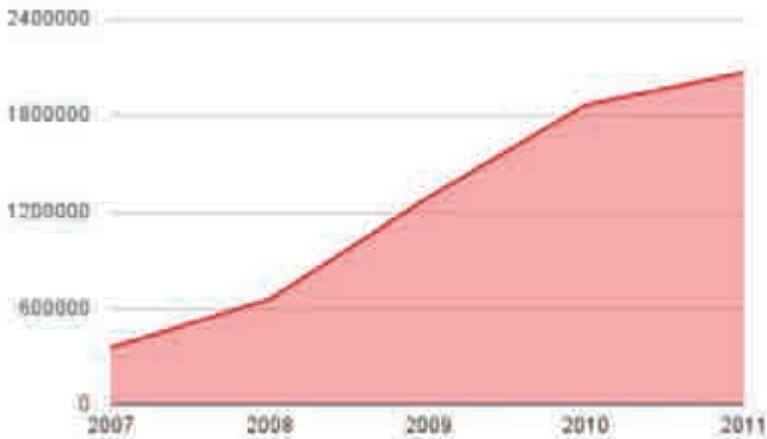


Figure 3.2. Growth in monthly visitors at *Rue89*. Source: internal data provided by *Rue89*

Despite legacy media’s increasing investments in online operations and the subsequent launch of additional journalistic start-ups like *Mediapart* and *Slate.fr*, *Rue89* has continued to grow its audience. Pascal Riché notes that the site has leveraged the symbolic capital and name recognition of experienced ex-newspaper journalists like himself, but also appealed beyond those already familiar with the bylines on the site. He says ‘we

⁸⁶ <http://mikiane.com/archives/620> (Michel Lévy-Provençal quit *Rue89* in Feb. 2008).

⁸⁷ www.nytimes.com/2009/03/05/technology/05iht-rue89.4.20629388.html.

appeal to the *Libération* readership. But we also managed to attract many people who usually prefer *Le Monde*. Generally speaking, our followers are highly educated, over 30, left-leaning, mostly male.' The focus on politics, the economy (especially on the special site, Eco89.fr), and culture provides *Rue89* with a mix familiar from newspapers and magazines and an editorial line that has appealed to many affluent and well-educated moderate and left-wing readers.

Rue89 stands out from the websites of most legacy media and many start-ups not only by virtue of its original content, but also its emphasis on user involvement and innovative use of web-native formats like interactive timelines and infographics. By 2008, this brought the site over the magic mark of one million monthly unique users, making it the then tenth biggest news website in France and more attractive to bigger advertisers. As Pierre Haski explained to *La Revue des Médias* at the time, 'this key figure brings in revenues of one million euro; with two million visitors, we could gain three million euro in advertising alone'.⁸⁸

But much has changed since 2008. Today, the tenth most popular news website in France attracts more than four and a half million monthly unique visitors, and *Rue89*, despite its growth, has fallen behind. The site is not only losing ground as more well-resourced legacy media competitors grow their audience at a faster pace. The value of each visitor attracted is also eroded because the number of pageviews generated across the web has grown faster than the demand for online advertising. 'CPM on *Rue89* is around 5–6 euros per thousand impressions. That's not bad, but it will never be enough for our sustainability, especially if you are a general news website and not a specialised publication like the online version of the business newspaper *Les Echos* which can get a CPM up to 20 euros', explains Riché. (Interviews suggest that the average CPM in France was around €5 in 2011, meaning *Rue89* has only been able to extract a slight premium.)

The resulting challenges are clear from *Rue89*'s budgets from 2009 and 2010, freely available online (see Table 3.7). They make for interesting reading. Though the site had by 2010 reached the two million visitors Haski mentioned, advertising revenues amounted to just short of €800,000, less than the million he claimed one million visitors per month would have generated in 2008, and a long way from the €3m he hoped two million monthly users would generate.⁸⁹ In terms of online advertising, one has to run to stand still. This development has left *Rue89* with ongoing financial

⁸⁸ Sophie Blitman, 'Recherche modèle économique désespérément', *Médias*, 16 (Mar. 2008).

⁸⁹ www.rue89.com/making-of/2011/04/19/rue89-publie-ses-comptes-2010-200476.

problems. Despite rapid growth and aggressive attempts to diversify, breaking even proved elusive. By 2010, operating expenses exceeded €2.2 million and revenues fell short of €1.9 million.

Table 3.7. *Rue89* budget (€) – 2009 vs. 2010

Revenues	2009	2010	2010 vs. 2009
Advertising	435,474	797,492	+83%
Services (training, web development)	230,989	307,039	+33%
Magazine (sales, advertising)		614,641	
Other sources	91,719	160,561	+75%
<i>Total revenues</i>	<i>758,182</i>	<i>1,879,733</i>	<i>+145%</i>
Expenses			
Staff salary	1,026,508	1,236,670	+20%
Magazine		492,584	
Other expenses	292,085	483,642	+66%
<i>Total expenses</i>	<i>1,318,593</i>	<i>2,212,896</i>	<i>+68%</i>

Source: <http://www.rue89.com/making-of/2011/04/19/rue89-publie-ses-comptes-2010-200476>.

In recent years, *Rue89* has diversified beyond advertising in several ways. The site has provided services centred on various forms of training (with courses in web writing, video production, community management, etc.). Riché says ‘we managed to find our way in a very crowded market, providing website development and online media training. This is essentially due to the strength of our brand, now renowned for its innovative approach throughout France.’ *Rue89* has also embraced e-commerce, selling shoes, clothing, and much more through its online store. Fundraising campaigns have been launched, including *Le Mur*, a page where users and companies can acquire one or more pixels for their own ads (inspired by *The Million Dollar Webpage*).⁹⁰ Finally, in its perhaps most important attempt to supplement revenues from online advertisements, *Rue89* in May 2010 launched a printed, pocket-size, monthly magazine based on its online content (in an ironic reversion of the print-to-web ‘shovel-ware’ of the 1990s, we now see web-to-print shovelling). With production costs around €500,000 and sales and advertising revenues adding up to over €600,000 for 15,000–25,000 copies sold every month, this part of the enterprise has delivered a healthy gross profit margin just over 15%, and accounts for about a third of 2010 revenues.⁹¹ (*Politico* in the United States operates a similar web-first, print-later model with a print publication freely

⁹⁰ <http://mur.rue89.com>.

⁹¹ www.liberation.fr/medias/01012379075-le-groupe-nouvel-obs-s-offre-pignon-sur-rue89.

distributed in the Washington DC area generating a substantial part of the overall revenues.⁹²)



Figure 3.3. Screenshot, *Rue89* (23 Jan. 2012). Notice the cross-branding with the new owner, *Le Nouvel Observateur*, and the promotion of the 'Best of 2011' print magazine, both highlighted in red.

Despite *Rue89*'s success in providing original online content, in engaging its readers, and its use of various web-native formats – all rewarded with a continually growing readership – the 2010 budget still resulted in a loss of more than €300,000. In the summer of 2011, *Rue89* raised a further €600,000 to cover its expenses – two-thirds from existing shareholders, and €200,000 from Claude Perdriel, owner of the weekly news-magazine *Le Nouvel Observateur*.⁹³ In return, Perdriel got a 3.4% stake in the site. The aim was to achieve financial sustainability in the course of 2011. This was not achieved. In January 2012, it was announced that *Rue89* had made a loss of €400,000 on revenues of €2 million in 2011 – a worrying development suggesting continuing growth in operating costs, but more modest growth in revenues (about 5% as opposed to a rather more

⁹² Alysia Santo, 'Web First, Print Later', *Columbia Journalism Review*, 17 Aug. 2011: www.cjr.org/the_news_frontier/web_first_print_later.php?page=1. The *Rue89* print magazine has been discontinued since the site was acquired by *Le Nouvel Observateur*.

⁹³ www.lemonde.fr/actualite-medias/article/2011/06/30/claude-perdriel-entre-au-capital-du-site-internet-rue-89_1543149_3236.html.

impressive 145% from 2009 to 2010). It was also announced that *Le Nouvel Observateur* would acquire the site for a total of €7.5 million.⁹⁴ Perdriel, the new owner, said he planned to integrate various back-end functions including advertising sales, but otherwise continue the site in its present form.⁹⁵ ‘Thanks to the merger with *Le Nouvel Observateur*, we can now get a better CPM for advertising on our web properties’, Pascal Riché explained in a follow-up interview conducted in February 2012.⁹⁶ Whether the merger will change *Rue89*’s editorial line remains to be seen. Alice Antheaume comments:

According to Perdriel and Rue89 editors, the publications will remain independent and will not merge with Le Nouvel Observateur’s newsroom. From an editorial point of view, it seems that nothing will change. But from an advertising point of view, both sites will be monetised by the same service. And probably something will eventually change on the editorial side too, in the sense that there will be more people around the table to brainstorm about, for instance, new formats and new topics to cover.

Le Nouvel Observateur is already in the top 10 online news sites in France, and it remains to be seen how the merger will work out for the two organisations. It is likely that Perdriel is looking to the success of *Spiegel*’s combination of a weekly magazine and a widely read website as he looks towards the future, especially as one of his legacy competitors, *Le Monde*, has partnered with the *Huffington Post* to expand its own online presence in France.

Even before the acquisition by *Le Nouvel Observateur*, *Rue89* demonstrated the capacity to compete with all but the most important French legacy media and its combination of original content, user engagement, and innovative formats drew a large online audience, though it operated with a much smaller newsroom than for example newspapers. Despite attempts to diversify beyond online advertising alone, costs continued to outpace revenues year after year and losses mounted. Whether there ever was a sustainable niche for an online-only journalistic start-up catering to an affluent, well-educated, left-leaning clientele also served by illustrious legacy titles like *Libération* and *Le Monde* is not clear,

⁹⁴ The figure suggests that the 2012 deal valued *Rue89* 25% higher than in the summer of 2011 when Perdriel acquired his first stake.

⁹⁵ www.telecompaper.com/news/nouvel-observateur-buys-rue89-for-eur-75-million.

⁹⁶ Interview, 1 Feb. 2012.

but as it searched for a stable position in that terrain, *Rue89* managed to make its mark on the French media landscape and has served as an inspiration for other start-ups around Europe (as we shall see in the chapter on Italy) before now becoming part of the *Le Nouvel Observateur* group. (It now faces the new challenge of working alongside another brand based around a legacy media organisation.)

Mediapart

Table 3.8. *Mediapart* at a glance

Launched	16 March 2008
Staff	36
Operating costs (yearly)*	€4.4m
Initial funding	About €3m
Business model	Premium content
Journalism model	Investigative journalism, analysis and opinion
Reference model	N/A
Unique users (daily)	N/A
Unique users (monthly)**	659,000
Pageviews (daily)	N/A
Facebook friends***	25,688
Twitter followers***	63,298

* 2010 budget.

** Médiamétrie/Nielsen NetRatings, June 2011.

*** Last checked on 4 Aug. 2011.

Launched in March 2008, after a six-month online campaign to secure 10,000 paying subscribers, *Mediapart* is arguably the most disruptive and controversial journalistic online start-up in France today. In contrast to all other start-ups we have examined, and contrary to the vast majority of legacy media websites, its content is available only to paying subscribers. (The sticker price is €9 per month, but several discount options exist.) The name, with 'Media' being self-explanatory and 'part' referring both to 'participation' and to something 'apart', different from the rest, underlines its determination to distinguish itself from the existing French media system. Edwy Plenel, the current director, is well known for his campaigns against the 'liaisons dangereuses' between French mainstream media and outside financial and political interests.⁹⁷ Several of the people behind the project have worked for years at major newspapers, including left-leaning titles like *Le Monde* and *Libération*, and are very critical of how many

⁹⁷ <http://presite.mediapart.fr/atelier-journal/article/02122007/mediapart-le-prix-de-la-liberte.html>.

media organisations have let themselves become part of a political culture and power structure they say concentrates power in the hands of a small elite, most notably the country's President and his entourage.

From its inception, *Mediapart* has asserted its autonomy of outside interests, invoking a tradition of independent liberal watchdog journalism that has never dominated in France where, as in much of Mediterranean Europe, many news organisations continue to be quite partisan, opinionated, and mixed up with diverse political and economic interests.⁹⁸ With its strident anti-establishment coverage *Mediapart* may even be seen as harking back to the predecessor of contemporary liberal journalism in the United States – the 'progressive' reporters exposing corrupt politicians and corporate conglomerates in the late nineteenth and early twentieth centuries.⁹⁹ Like it or loathe it, *Mediapart's* radical approach, combined with a sizeable newsroom staffed by 25 journalists, many of them experienced veterans, represents a significant addition to the French media system.

Mediapart's aggressive reporting has generated several scoops and exclusive stories, most importantly concerning the so-called 'Bettencourt Affaire'. In June 2010, *Mediapart* started publishing stories based on secret recordings where Liliane Bettencourt, one of the principal shareholders of the cosmetics giant L'Oréal, indicated that she may have avoided paying taxes by keeping a substantial amount of cash in undeclared Swiss bank accounts – with the full knowledge and protection of top people in President Sarkozy's party, the Union pour un Mouvement Populaire (UMP), which in turn benefited from sizeable donations from the L'Oréal heiress. As with *Rue89's* coverage of Cecilia Attias's absentee ballot in the 2007 elections, *Le Monde's* decision not to use the same secret recordings due to possible privacy violations made *Mediapart's* decision to publish stand out from more timid legacy competitors.¹⁰⁰ The site published the recordings in full, with new passages and revelations put online day after day, creating a long line of comments and reactions. The result was a full-blown scandal implicating top people in French politics and business. The then UMP general secretary, Xavier Bertrand, filed a lawsuit against *Mediapart*, accusing it of deploying 'fascist and anti-democratic methods'.¹⁰¹ *Mediapart* in turn sued Bertrand for defamation. (The two cases are still ongoing.)

⁹⁸ Hallin and Mancini, *Comparing Media Systems*, and Raymond Kuhn, *The Media in Contemporary France* (Maidenhead: Open University Press, 2011).

⁹⁹ Michael Schudson, *Discovering the News: A Social History of American Newspapers* (New York: Basic Books, 1978).

¹⁰⁰ <http://prdchroniques.blog.lemonde.fr/2010/07/13/laffaire-bettencourt-le-monde-olivier-metzner-et-moi>.

¹⁰¹ *Ibid.*



Figure 3.3. Screenshot, *Mediapart*. People wanting more than a short summary of a story have to sign up as subscribers. The box highlighted in red in the middle offers a 15 day trial membership for €1. *Mediapart* management says that 90% of those who sign up renew their subscriptions (24 Jan. 2012).

Mediapart has followed its reporting on the Bettencourt Affair with other investigative scoops casting light on the tight connections between politics, business, and the media in France. Its aggressive reporting style sets it apart from much French journalism, more concerned with analysis and opinion writing, and has not won it any friends in the government. Plénel has declared that journalists working on stories that might expose political scandals are subject to an ‘all-out surveillance campaign’ by the security services and orchestrated from the Presidential Palace, including ‘phone-tapping aimed at establishing a list of their contacts and relations’.¹⁰² He has also said, to the *Guardian*, that investors in *Mediapart* have been harassed by other government agencies, including the tax authorities and the police. The independent watchdog group Reporters Without Borders complained in its 2011 report on freedom of the press about the “disappearance” of computers and hard disks containing information about the heiress to the L’Oréal empire’ from

¹⁰² www.guardian.co.uk/media/2010/nov/08/loreal-bettencourt-french-journalists?INTCMP=SRCH.

Mediapart's offices.¹⁰³ In a move that is unlikely to mollify hostile forces in government, the site in March 2011 followed in the footsteps of Julian Assange and WikiLeaks and launched a site called FranceLeaks, where users can anonymously submit secret or sensitive documents, promising further revelations.

Mediapart has been gradually building its base of subscribers since the 2008 launch, significantly boosted by the site's coverage of the Bettencourt Affair and its high-profile clashes with the authorities. Details on the number of subscribers from 2007 to 2010 are available from the site itself. From the start of the campaign to find subscribers, the site grew at a steady rate of around 5,000 subscribers a year, reaching 20,000 by the time it broke the Bettencourt story. Between July 2010 and December 2010, the number of subscribers more than doubled, reaching over 45,000 by the end of 2010.¹⁰⁴ Even taking into account various discounts, this subscription hike resulted in an overall growth in monthly revenues, which reached over €450,000 by the end of 2010. Full details on how the site has done since then are not available, but in an interview in January 2012, Plenel said that *Mediapart* now has 58,000 paying subscribers.¹⁰⁵ (By comparison, News Corp's iPad publication *The Daily*, published in English for a global audience by a major media conglomerate and sporting a newsroom of around 100 journalists has about 100,000 paying subscribers – at half the sticker price.¹⁰⁶)

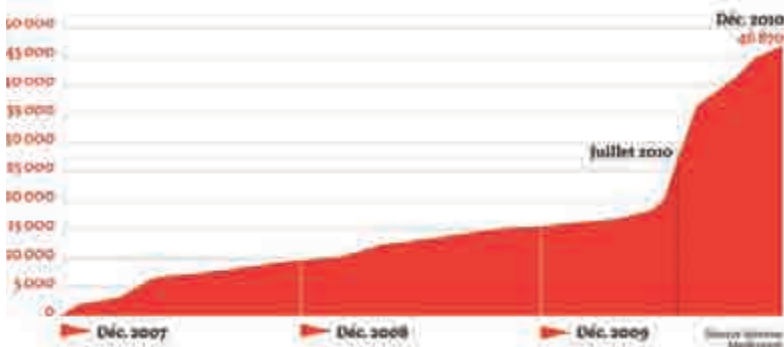


Figure 3.5. Total number of subscribers, *Mediapart* (www.mediapart.fr/files/mediapart_carnet_web.pdf)

¹⁰³ More details can be found in the 2011 report 'Countries under Surveillance' by Reporters Without Borders, <http://en.rsf.org/france-france-11-03-2011,39715.html>.

¹⁰⁴ These numbers are provided directly by *Mediapart* as part of a 'transparency operation' that included the full budget figures of its publishing group: www.mediapart.fr/files/mediapart_carnet_web.pdf.

¹⁰⁵ www.challenges.fr/media/20120102.CHA8690/comment-mediapart-est-devenu-rentable.html.

¹⁰⁶ <http://paidcontent.org/article/419-the-daily-no-longer-just-for-ipads-but-not-for-all-androids-either>.

Before the Bettencourt Affair, *Mediapart* was on course to generate about €2m in sales revenues, and heading towards a €2m operating loss for 2010. After the affair, sales shot up. According to Plenel, the site has broken even on a month-by-month basis since October 2010, defying the many who had predicted the pay model was hopeless.¹⁰⁷ The full 2010 fiscal year still resulted in a loss of almost €1.4 million (see Table 3.9), but in January 2012, Plenel announced that the site had made a €500,000 net profit on a €5m turnover in 2011.¹⁰⁸

Table 3.9. Finances of *Mediapart*

	2009*	2010*	2011 (provisional **)
Expenses	€3,714,562	€4,426,033	€4,500,000
Revenues	€1,343,742	€3,002,821	€5,000,000
Net result	-€2,370,820	-€1,423,212	+€500,000

* Data available on *Mediapart.fr*: www.mediapart.fr/files/mediapart_carnet_web.pdf.

** Estimates provided by Edwy Plenel:

www.challenges.fr/media/20120102.CHA8690/comment-mediapart-est-devenu-rentable.html

At about €4.5m, *Mediapart* has the highest operating costs of all the start-ups we examine in this report. The first three years of operations resulted in a cumulative loss of more than €6m. By 2012, it broke even, relying almost exclusively on its subscribers for revenue. So far, the site has found few other significant sources of income. Its 58,000 paying subscribers accounted for 95% of sales revenues, with additional income from content syndication and sale of 'instant' e-books, and about €200,000 in annual subsidies from the state.¹⁰⁹ The site remains advertising free, but is trying to diversify further, building, amongst other things, 'Le Club', a collection of blogs managed by about 400 experts in financial, political, business matters, and open to subscriber suggestions. (Discussions here, between bloggers and *Mediapart* subscribers, often lead to specific reports by journalists who follow up on an issue with help from users of the site.)

Some French observers question whether *Mediapart* is ready to embrace community-building initiatives and web-native formats the way *Rue89* has done. One commentator, Nicolas Kayser-Bril (a data journalist who has recently launched Journalism++, a data journalism project), already at the launch in 2008 called *Mediapart* 'a by-product of printed journalism', both for its news reporting style and its operating cost.¹¹⁰ He

¹⁰⁷ www.mediapart.fr/journal/international/100311/mediapart-pari-reussi-le-bilan-de-nos-trois-ans.

¹⁰⁸ www.challenges.fr/media/20120102.CHA8690/comment-mediapart-est-devenu-rentable.html.

¹⁰⁹ www.editorsweblog.org/multimedia/2010/01/french_government_subsidises_news_website.php.

¹¹⁰ <http://onlinejournalismblog.com/2008/01/12/pay-for-online-venture-aims-at-dethroning-le-monde>.

wrote ‘*Mediapart* is committed to being innovative, but the venture is merely replicating offline models’, and questioned whether the site was ready to embrace the culture of the web: ‘Plenel brought lots of journalists around him, but they seem to be ill-prepared for open discussions . . . and most importantly, publishing behind a pay-wall shields articles from the beneficial snowball effect, and eventually prevents any actual growth (in reputation first, and in subscriptions as well).’ In 2007, the media consultant Nicolas Vanbremeersch predicted *Mediapart* would go free within 18 months of its launch.¹¹¹ After four years, it is still behind a paywall. This has helped the site break even, but there is no question that *Mediapart*’s bet on subscriptions also has had consequences for its reach. According to Médiamétrie/Nielsen NetRatings data, the site had about 659,000 unique visitors in June 2011, while its major online-only competitor *Rue89* with its free site had more than two million.

A more fundamental question facing *Mediapart* is whether the independent reporting the site takes such pride in is endangered if it is gradually caught up in the kind of political and financial arrangements it has been so critical of. Some have argued the site is too virulently anti-Sarkozy and too close to prominent Socialist politicians including former presidential candidate Ségolène Royal (who already in December 2007 encouraged supporters of her ‘*Désirs d’avenir*’ online campaign to subscribe to the site).¹¹² Dominique de Villepin, former Prime Minister of France and one of President Sarkozy’s most important right-wing rivals, has also publicly supported the site. Others have criticised its decision to apply for state subsidies from the fund for online news services – it received around €200,000 in both 2009 and 2010, making public support its second most significant source of revenue, after subscriptions.

Ongoing losses in the period before October 2010 have forced *Mediapart* to seek additional funding beyond the initial €3m provided by the founders and a select group of individual investors in 2008. Amongst those who have invested in the site is Xavier Niel, a well-known French tech entrepreneur and billionaire, who has also invested in several other left-leaning journalism online start-ups, such as *Bakchich* and *Owni*. Niel is also part of the three-man group that in late 2010, despite opposition from President Sarkozy, took control of *Le Monde*.¹¹³ (During the 2010 bidding for the prestigious newspaper, a UMP spokesperson referred to

¹¹¹ <http://vanb.typepad.com/versac/2007/12/mediapart-va-t.html>.

¹¹² <http://vanb.typepad.com/versac/2007/12/mediapart-indpe.html>.

¹¹³ Eric Fottorino, the then *Le Monde* editor, was summoned to the Presidential Palace in the summer of 2010 and later told colleagues that Sarkozy had threatened to withhold various forms of state subsidy if the paper was sold to Niel and his partners. See www.ft.com/cms/s/0/504bbdc2-7583-11df-86c4-00144feabdc0.html#axzz1kN1sj0l1.

Mediapart and Niel as 'a website with unspeakable methods funded by a wealthy businessman', and argued that a person like that was not fit to own *Le Monde*.¹¹⁴)

Mediapart is an ambitious venture that has tried to confront head-on the tangled web of journalistic, political, and economic ties that characterise French public life. With its investments in investigative reporting in a country where that is uncommon, the site has become a distinctive voice in and important part of the French media system. Its bet on a subscription-only model sets it apart from almost all other start-ups and indeed most legacy players online and has helped it break even, despite its sizeable newsroom and high operating costs. With almost 60,000 paying subscribers, it seems that *Mediapart* has found a niche and a loyal and interested audience that can sustain it (especially if it manages to diversify beyond subscriptions alone). As long as the readership is willing to pay, the site just may avoid further entanglement in the kinds of political patronage, corporate cross-subsidisation, and state support it has been so critical of.

Conclusion

Since 2005, France has seen a growing number of new journalistic online start-ups that seek to compete with or complement existing media offerings. This 'Nouvelle Vague' is powered by increasing internet access and use, a growing online advertising market, and the belief amongst some investors that these start-ups are well-positioned to carve out their own positions in a media system characterised by comparatively weak legacy media. The rise of the internet and the ongoing economic crisis combined has put an already fragile French newspaper industry under severe pressure, and a number of journalists have left it seeking to create their own opportunities online. (Many French journalists benefit from generous redundancy arrangements that guarantee a high percentage of their final pay for several years after they leave a company. This has in turn supported many entrepreneurs as they launched their new ventures.) Part of their challenge is to find business models that will sustain their work in the future, but for many, it is also about extracting their profession from outside political and economic interests impinging on editorial autonomy and the freedom to seek truth and report it. As the media commentator Frederic Filloux puts it, the new wave is not only about business. It is also 'rooted in the need to revamp journalism'.

¹¹⁴ www.lefigaro.fr/politique/2010/07/08/01002-20100708ARTFIG00695-1-ump-denonce-les-methodes-de-mediapart.php.

But the two issues of business and journalism are related. As the cases of *AgoraVox*, *Rue89*, and *Mediapart* all illustrate, ongoing operating losses can lead to unwanted dependence on support from outside business interests, industry incumbents, various political actors, and/or state subsidies. While the internet represents many opportunities for journalists, Filloux cautions against believing a thousand flowers will bloom there – ‘the online advertising share is still quite low, if compared to the print share, and the French market is much smaller than the Anglophone market. It is getting saturated very quickly.’

Part of this saturation is about the many start-ups who have entered the market, part of it has to do with legacy media moving more aggressively online – first newspapers and news-magazines, but also increasingly broadcasters. Competition has intensified at the national level, where the three start-ups we have examined here operate, but also at the local level. In France as elsewhere, a number of websites focused on providing local news and information have emerged over the last decade. One of the forerunners is *DijOnscOpe*, a pure player focused on the coverage of Bourgogne area. Online since 2009, it has a staff of five journalists (and five interns) and has been able to attract an audience of 90,000 unique visitors per month.¹¹⁵ At the end of 2011 the site introduced a paywall (€5 per month and no ads at all). Other hyperlocal French news websites continue to rely on free access supported by advertising, as is in the case of *Carred-info* launched in the Toulouse area and *Grand-Rouen* (Normandie). *Marsactu*, a news website covering Marseille area has just two journalists in the newsroom but attracts more than 100,000 unique visitors per month. This start-up is trying to move beyond advertising-only and now provides digital media training targeted to local enterprises and a service handling ticketing for cultural events. According to *Journalismes.info*, a website that covers online journalism in France, there are at least 50 local news websites active across the country.¹¹⁶

With the rise of the new wave of French start-ups both nationally and locally and with more and more legacy media embracing at least parts of the new web-native formats and forms of participation they have neglected in the past, it seems to be getting progressively more difficult to carve out a sustainable niche in France. In 2005, the citizen journalism project *AgoraVox* was one of the main platforms for peer-to-peer production of news-like content in French. Today people can use Facebook, Twitter, blogs, and the interactive features of many other websites to express

¹¹⁵ www.lesechos.fr/journal20111115/lec2_high_tech_et_medias/0201739300744-l-information-locale-se-lance-a-l-assaut-d-internet-248955.php.

¹¹⁶ www.journalismes.info/A-la-decouverte-des-pure-players-locaux_a3596.html.

themselves. In 2007, *Rue89*'s emphasis on user engagement made the site stand out from the static and rather staid world of legacy media websites. Today newspapers like *Le Monde* offer participatory platforms (*Le Post* launched later the same year and has now merged with the French edition of the *Huffington Post*). Convergence is a challenge not only for older media companies, but also for new ones.

The progressive saturation and increased competition from more web-savvy legacy media and a continuous stream of new entrants is putting especially larger start-ups like *Rue89* under pressure as the bar for what kind of audience is necessary to cover costs keeps inching upwards. Start-ups are jostling for positions in an increasingly crowded field, and especially for those with high operating costs, the stakes are high. Irrespective of size, journalistic online start-ups in France as elsewhere need to diversify to survive (or form partnerships as *Rue89* has done with *Le Nouvel Observateur*). Even the most visited sites cannot hope to cover all their costs through advertising alone if they also seek to sustain an independent newsroom.

Mediapart may represent a more encouraging model than those built on advertising. Rejecting from the outset the online mantra of 'free', the project has been building its subscriber base for four years now, and broke even for the first time in 2011. By positioning itself as a provider of quality original content based on aggressive and independent reporting (though often presented in an anti-establishment voice), the site has managed to make a pay model work for an online-only outlet, and is a success story in both business and journalistic terms. It is an open question whether it can be replicated, but surely it is an inspiration to those who believe in the value of unique content and do not mind defying the prevailing wisdom.¹¹⁷

As long as they fail to break even, the real independence of these start-ups will remain in question. *AgoraVox* is dependent on support from Revelli's consulting agency Cybion. *Rue89* has been kept afloat for years by investor largess and is now part of Perdiel's *Nouvel Observateur* group, and currently dependent on cross-subsidies and shared back-end facilities. On the road to sustainability, *Mediapart* has relied on continuous investments from people with other media, business, and political interests, like Xavier Niel. *Mediapart* has shown that even an ambitious and well-staffed online-only provider can break even if given time, and the French market sustains smaller boutique ventures closer to the example of the German *Perlentaucher* too. But other start-ups have struggled. One

¹¹⁷ Other ventures elsewhere have also managed to build a sustainable business around news behind a paywall—including sites like *AllNovioScotia* in Canada and *Altinget* in Denmark.

way forwards for them is the sort of ‘assimilation’ of new media by old represented by the case of *Rue89* and *Le Nouvel Observateur* in France (and of the *Daily Beast* and *Newsweek* in the US, and the *Huffington Post* partnerships in France and Italy). Such partnerships may become more common where online start-ups find they need more money and legacy media find they need better online operations. Another is the kind of cross-subsidisation from outside political, business, and government sources widespread amongst French legacy media – including many national newspapers. This could represent another possible future for some start-ups. Only the largest and most well-organised interests can prop up a newspaper losing millions of euros annually. Many more may be tempted to bankroll an online venture for a few hundred thousand euros a year.

Even if only a few of them manage to find sustainability online, the ‘Nouvelle Vague’ of journalistic start-ups have already had an impact on the French media system, provoking renewed debates over the relationships between journalists and establishment interests, spurring innovation and experimentation with new formats and forms of participation, and challenging legacy media on their own turf by breaking hard news stories with direct political implications. Inevitably, some of the start-ups discussed here will disappear, merge with others, or fade into obscurity, but a few may flourish and all have already contributed to a certain rethinking of French journalism and the French media business.

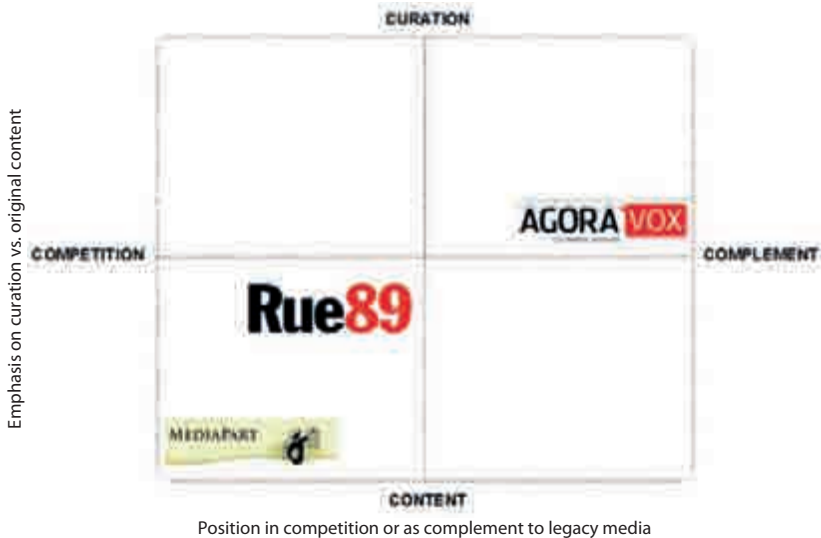


Figure 3.6. French pure players

4. Italy: Start-Ups as a Break with the Past?

In Italy, journalistic online start-ups have till recently been few and far between. Since 1994, when the first major national daily newspapers launched their websites, online news has been dominated by legacy media, especially the two most widely read newspapers, *La Repubblica* and *Corriere della Sera*, and by web portals like Libero and Virgillo that bundle news feeds with a wide range of other services. Start-ups have generally been poorly funded, unimaginative, and short-lived.

Until 2010, the only significant journalistic pure player was *Dagospia*. This site, devoted mostly to gossip about politicians and other public characters, was launched on 22 May 2000 and continues to this day. The site is modelled on the (in)famous Drudge Report, a website that rose to prominence in the US on the back of its coverage of the Monica Lewinsky scandal. *Dagospia* traffics in a mixture of gossip, rumours, and political backstage news (exposing in particular the weaknesses or scandalous sides of powerful figures). It has managed to build a sizeable audience, fuelled in part by the prominence of its founder, Roberto D'Agostino, who is well-known from national television and newspapers.¹¹⁸ It has also created a sustainable business model that until 2010 combined freely available daily news with an archive behind a paywall. Growing advertising revenues have since led *Dagospia* to dispense with the paywall altogether and go free. In 2009, the site generated total revenues of €538,000 and had a profit of €113,000; in 2010 total revenues grew to €656,410 though the site lost €20,594.¹¹⁹

¹¹⁸ According to data from Audiweb Nielsen, on an average weekday in June 2011, *Dagospia* had 79,408 unique visitors and generated about 709,000 pageviews.

¹¹⁹ Carola Frediani, 'Huffington Post all'italiana', *L'Espresso*, 31 Mar. 2011, further data from the Business Register of the Italian Chamber of Commerce.

Dagospia is a fascinating but also opaque organisation that illustrates how online start-ups, despite their embrace of new technologies and business models, may be more of a continuation of existing media practices than is sometimes assumed. In 2011, the site was involved in the so-called ‘P4’ political scandal, related to whether Luigi Bisignani, a businessman very close to parts of what was then the Berlusconi government, had illegally acquired secret information. It has been suggested that *Dagospia* benefited from advertising money steered its way by Bisignani, who in return was allowed to influence editorial decisions. Massimo Giannini, deputy editor at *La Repubblica*, argued that *Dagospia* through its connections with Bisignani, had a central role in what has been called the ‘macchina del fango’, the ‘mud machine’ – a matrix of newspapers and other news outlets close to Berlusconi used to spread rumours against political and business rivals.¹²⁰ D’Agostino denies these allegations. In June 2011 he filed a complaint against Massimo Giannini and another *La Repubblica* journalist.¹²¹

Whatever the exact nature of its business models and its relations to powerful people in government and business, *Dagospia* was for more than a decade the exception to the rule – and the rule was that there was little online innovation or entrepreneurial activity in Italian journalism. Now this is changing, with the launch of *Il Post* and *Lettera43* in 2010 and *Linkiesta* in 2011, the three start-ups we examine in this chapter. The late arrival of journalistic online start-ups in Italy reflects the relatively slow development of the internet in much of the country. Internet access and use has consistently lagged behind most other West European countries, and as a consequence legacy media, most importantly television, have continued to dominate advertising. Only a limited percentage goes to online sites, though both share and spend is now rapidly growing.

The relatively limited audience and advertising found online is only part of the reason why innovation and start-ups have been scarce in Italy. Another is the institutional structure of its media system. According to

¹²⁰ www.ft.com/intl/cms/s/2/e024ca82-f8e2-11df-99ed-00144feab49a.html#axzz1l2VGrBcz.

¹²¹ In testimony given to the prosecutors investigating the case, Bisignani has said that: ‘I’m in a very good relationship with Roberto D’Agostino . . . I’ve suggested to ENI [an Italian multinational oil and gas company partially owned by the government] to spend 100,000 Euros per year in advertising on *Dagospia*.’ Other witnesses in the case have said that D’Agostino ‘had to ask Bisignani if he could publish a news story or not’. Regarding his relationships with Bisignani, D’Agostino has said: ‘As a reporter, I have the right to talk with everybody on the phone in order to obtain news and indiscretions.’ For coverage, see

www.repubblica.it/cronaca/2011/06/21/news/cos_bisignani_usava_masi_e_la_rai_nelle_carte_dei_pm_le_trame_del_faccendiere-17991421/index.html;

www.repubblica.it/cronaca/2011/06/22/news/rai_bisignani-18041812/index.html?ref=search;
<http://corrieredelmezzogiorno.corriere.it/napoli/notizie/politica/2011/8-marzo-2011/gossip-ricatti-bocchino-carfagnae-d-agostino-querela-leader-flu-190180045496.shtml>.

Mario Tedeschini Lalli, professor of journalism and head of innovation and development at Gruppo Editoriale L'Espresso/Repubblica, the company behind *La Repubblica* and several other media outlets, 'the Italian news industry can hardly be compared to other countries'.¹²² The intertwining of journalism and publishing businesses with other, outside, political and commercial interests already observed in France is even more pronounced in Italy. Most famously of course, former Prime Minister Silvio Berlusconi owns Mediaset, which dominates commercial broadcasting in Italy, in addition to several other publishing, advertising, and marketing businesses. His brother Paolo owns the newspaper *Il Giornale*. Other prominent titles too are connected to outside interests: the leading daily newspaper *Corriere della Sera* is owned by a group of major financial institutions, construction companies, and other industrial groups; the second largest newspaper and most widely used source of online news, *La Repubblica*, is controlled by a businessman with additional interests in the energy sector, in healthcare, in finance and in other industries. The newspaper *La Stampa* is owned by the automotive giant FIAT and the financial newspaper *Il Sole 24 Ore* by the employers' federation. In Italy, it is not always easy to see where journalism ends and business and politics begin.

Italy has comparatively speaking a weak newspaper industry but a strong television industry, dominated by the terrestrial 'duopoly' of the public service broadcaster RAI and Berlusconi's Mediaset channels, complemented with Sky Italia's growing pay-TV business. Paid newspaper circulation is lower than in France and has declined by more than 25% over the last 10 years, far more than in Germany or France (the rapid growth of free newspapers means that overall print circulation and reach has actually increased).¹²³ Many newspapers, both nationally and locally, are propped up by cross-subsidies from other parts of their parent companies and by a complex system of state subsidies. Commentators have highlighted how the Italian news industry is dominated by companies who have most of their interests outside journalism, and often in politically sensitive areas like broadcasting, banking, and construction.¹²⁴ Media companies in Italy, in particular newspapers, are not always run as independent editorial entities or indeed as businesses, but cross-subsidised from other activities because of their value as instruments for other purposes, a tendency that lessens the incentives to innovate journalistically

¹²² Interview, 20 July 2011.

¹²³ Mazzoleni et al., *Mapping Digital Media: Italy*.

¹²⁴ Oreste Flammini Minuto, *Troppi Farabutti: Il conflitto tra stampa e potere in Italia* (Milan: Baldini Castoldi Dalai Editore, 2009).

and commercially with new media. With state subsidies set to be greatly reduced and reformed in the name of austerity by the new Monti government, many newspapers will either become more reliant on their financial backers or have to close.¹²⁵

In Italy as elsewhere, large international sites like Google and Facebook attract the most online traffic, complemented by local web portals like Libero and Virgillo. National newspapers, especially *La Repubblica.it* and *Corriere della Sera.it*, dominate online news. Tables 4.1 and 4.2 show the top 10 websites in Italy, and the top 10 news sites, with relevant online start-ups added at the bottom. (Sites marked in orange are associated with print legacy media, sites marked in yellow with broadcast legacy media, sites marked in green are journalistic online start-ups.) As in France, no news producer makes it into the overall top 10 websites.

Whereas broadcasters like NTV in Germany and TF1 in France are making inroads into the online news market mostly dominated by aggregators, portals, and newspaper websites, the online efforts of the major Italian television networks have so far failed to gain much traction. Mediaset is the only partial exception; its web newscast TGcom attracts over 800,000 daily unique visitors. The public service broadcaster RAI is far behind (353,000 daily unique users), and so are the commercial broadcasters Sky Italia and La7 (with 219,000 and 35,000 daily unique visitors, respectively).¹²⁶

According to Eurostat, about 51% of the Italian population goes online at least once a month. The data company Censis suggests that half of active internet users in Italy regularly access news websites.¹²⁷ While the internet is a growing platform for news in Italy, legacy media are still the preferred sources, especially broadcasting. Data from Censis suggest that 98% of the population regularly get news from television, 80% from radio, and 48% from print newspapers; 44% regularly access news sites on the internet.

Despite increasing internet access and use, legacy media still dominate advertising in Italy to a greater extent than in Germany and France. Online advertising is, however, the only category to experience significant growth during the economic crisis. While all other kinds of advertising have declined, internet spend has increased by 14.5% from 2010 to 2011. (Online advertising spend has been growing by 10% or more on a year-to-year basis throughout the crisis.) The internet still accounts for only 6.5% of total advertising spend in Italy, a significantly lower percentage than in Germany and France. (See Table 4.3.)

¹²⁵ www.ft.com/cms/s/0/3fc6beea-3303-11e1-8e0d-00144feabdc0.html#axzz1kT1eWxSj.

¹²⁶ Data provided by Audiweb, powered by Nielsen, June 2011.

¹²⁷ Ninth Censis/Ucsi report on communication, July 2011.

Table 4.1. Italy, top 10 websites – June 2011

Website	Monthly unique users
Google	24,039,000
Facebook	20,836,000
YouTube	16,742,000
MSN/WindowsLive/Bing	16,446,000
Virgilio	14,680,000
Yahoo!	14,092,000
Microsoft	13,992,000
Libero	13,187,000
Wikipedia	12,363,000
Blogger	10,153,000

Source: Audiweb, powered by Nielsen, June 2011.

Table 4.2. Italy, top 10 news websites

Website	Monthly unique users
La Repubblica	8,607,000
Corriere della Sera	7,895,000
TGCOM	6,029,000
Libero News	5,022,000
La Stampa.it	4,010,000
ANSA	3,715,000
Quotidiano.net	3,354,000
Virgilio Notizie	2,383,000
Google News	2,000,186
Il Fatto Quotidiano	2,119,000
...	
Lettera43	555,000
Il Post	320,000
Linkiesta.it	152,000

Source: Audiweb, powered by Nielsen, June 2011.

The Italian combination of a relatively weak legacy industry, most of which has been slow to embrace the web, increasing internet use, and a growing market for online advertising might seem to create opportunities for journalistic online start-ups to find a niche in the market. But the situation is more complicated than it may appear. ‘The vast majority of online advertising is being distributed among the few most visited outlets, [and] any independent project with limited traffic must rely on other services and products to survive’, explains Davide Pozzi, a marketing manager for a major Italian web venture. He argues that small start-ups should try to avoid relying on advertising sold on the basis of standard CPM methods,

as these, due to the glut of inventory, currently generate a gross average of just €1–€3 per 1,000 impressions (compared to the German CPM average of €4 in 2010, the French of about €5 for 2011, and the roughly €10 that *Perlentaucher* gets from its tailored approach). To make things even more challenging, the rule of thumb in Italy is that commission for the media buyers and advertising agencies, internal sales costs, and taxes on advertising together will consume about 50% of gross revenues. This means that very considerable levels of traffic are necessary to generate the significant net revenues that would be needed to finance a newsroom. (Going by these rough numbers, a site like *Perlentaucher*, with operating costs around €250,000, would, in Italy, require 10 times its current traffic to break even on the basis of CPM-style advertising.)

Table 4.3. Italian advertising market, Jan.–Nov. 2011

	Advertising spend (2011)	Market share (2011)	Growth (2011 vs. 2010)
Television	€3,685m	57.8%	-3.2%
Newspapers	€971m	15.2%	-8.2%
Magazines	€636m	10.0%	-2.8%
Radio	€452m	7.1%	-7.1%
Internet	€412m	6.5%	14.5%
Outdoor	€177m	2.8%	-10.8%
Other	€38m	0.6%	-15.7%
<i>Total</i>	<i>€6,371m</i>	<i>100%</i>	<i>-3.6%</i>

Source: Zenith Optimedia (all figures in current euro).

Despite the challenges, a growing number of journalistic online start-ups have been launched in Italy in recent years. On 20 April 2010, *Il Post* went online, backed with about €1m in initial capital and based on aggregating previously published stories (inspired by the *Huffington Post*). Three months later, *Lettera43* launched, a much larger and more ambitious project that aims to compete with *La Repubblica* and *Corriere della Sera* for dominance of online news in Italy, and has secured €5m to bankroll the first three years of activities. Finally, in January 2011 *Linkiesta* was launched by a group of ex-newspaper reporters aiming to create a site focused on investigative journalism, backed by more than 80 investors, each of them limited to a maximum of a 5% ownership (to ensure the project's independence). All three start-ups have generated considerable interest around Europe.¹²⁸ All explicitly present themselves as alternatives

¹²⁸ www.editorsweblog.org/multimedia/2010/11/lettera43.php;
www.editorsweblog.org/newspaper/2011/01/italy_a_new_protagonist_in_the_growing_o.php.

to how Italian legacy media operate. All aim to reach a wide audience with news and analysis, are funded mostly by advertising, and are backed by considerable initial investments. We will go through each in turn.

Il Post

Table 4.4. *Il Post* at a glance

Launched	19 April 2010
Staff	6
Operating costs*	About €250,000
Initial funding	€1,000,000
Business model	Advertising
Journalism model	Aggregation and commentary
Reference models	<i>Huffington Post, Salon, Slate</i>
Unique users (daily)**	24,960
Unique users (monthly)**	320,000
Pageviews (daily)**	123,000
Facebook friends***	11,594
Twitter followers***	11,200

* Estimates provided by Luca Sofri, founder *Il Post*.

** Data provided by Audiweb, powered by Nielsen, June 2011.

*** Last checked on 4 Aug. 2011.

‘An elite product for the masses’, ‘a news DJ’, and ‘a super-blog’:¹²⁹ that is how Luca Sofri, a well-known blogger, broadcast host, and journalist, described his online start-up when it launched in April 2010. *Il Post* aims to take the best of blogging culture and combine it with professional journalistic curation and content production. Since its inception, it has established itself as a popular aggregator of and critical commentator on major mainstream media.

Il Post’s most direct inspiration is the *Huffington Post* with its reliance on news aggregation combined with audience engagement and commentary.¹³⁰ It should be noted that Luca Sofri in addition to running this site also manages one of the most prominent Italian blogs – Wittgenstein.it, online since 2002 – and writes frequently for various outlets about current events. As with other start-ups launched by established journalists, *Il Post* is meant to build upon his existing following but to expand beyond the founder through the work of a small independent newsroom. ‘We try to fill the need for serious and reliable

¹²⁹ www.apogeeonline.com/webzine/2010/09/06/luca-sofri-come-sta-andando-il-post;www.macitynet.it/macity/articolo/C-anche-liPad-nel-futuro-del-Post.it/aA43730.

¹³⁰ Actually *Il Post* employs just a few tools to directly involve its readers, compared to the many used by the *Huffington Post*.

information, while also providing a smart mixture of in-depth commentaries, and lighter coverage', explains Sofri.¹³¹

Sofri says his project is 'a combination of a *Huffington Post*, *Slate*, and *Salon*'. He aims to gather a loyal readership by 'sifting through the information deluge available out there, just like a smart music DJ or an art gallery curator'. He sees the site as a complement to legacy media rather than a competitor. 'We are not competing with the mainstream outlets at all. We are a different product, attracting a niche audience disinterested in a quantity production but rather looking for quality news-reporting and fact-checking insights.'

Il Post's small newsroom – the staff includes four full-time young journalists and a secretary – produces about 25 stories per day.¹³² Many of them are aggregated from existing content, essentially *Huffington Post*-style rewrites consisting of just few lines of introduction, then a long quote and a link to the original source. *Il Post* also produces original content, including live-blogging of breaking news events (mixed with materials gathered simultaneously from social media), in-depth analysis and commentaries on current events, and carefully curated photo-galleries. Sofri's site also features coverage of foreign affairs often ignored by Italian mainstream outlets. The World section, for example, in early January 2012, had stories about elections in Puerto Rico and Manipur (India) and photo-essays about events in Senegal, Syria, and Tibet. Even if the quantity of stories *Il Post* publishes can never compete with those of general interest news websites, the stories are often selected and written in a smart and original way. The site also emphasises media criticism and fact-checking. For several years, Sofri has curated a weekly column called 'News that wasn't', in which he selects three or four news stories published by Italian newspapers without any fact-checking and then revealed post-publication to have been hoaxes. *Il Post's* reporters similarly often highlight stories published by legacy media outlets without adequate verification.

The site also hosts a network of around 50 unpaid bloggers, including well-known reporters, TV anchors, young political activists (from the right and the left), authors, cartoonists, and artists, who all write occasionally about various issues. While the *Huffington Post* has over the years published material from over 9,000 bloggers, Sofri explains that *Il Post* will focus on hand-picking the right people and not let in everyone – even if that might increase traffic. 'We choose those bloggers who have something smart and engaging to say, and do it well. Their presence will surely increase [traffic], but first of all we look for quality blogging.'

¹³¹ Interview, 23 June 2011.

¹³² In late 2011 *Il Post* hired four part-time external contributors.



Figure 4.1. Screenshot with profiles some of the 50 unpaid bloggers (25 Jan. 2011).

Despite rapidly growing internet use and online advertising markets in Italy, it is not clear whether even a relatively low-cost venture like *Il Post* can be sustained on the basis of advertising alone. Little more than a year after its launch, *Il Post* attracts a modest numbers of unique visitors – according to Nielsen Audiweb data for June 2011, an average of just below 25,000 per day and about 320,000 per month. The site has grown its traffic somewhat since its launch, but not dramatically – as shown in Figure 4.2.

Judging by frequent mentions in posts and the number of links to it, *Il Post* remains quite popular within the Italian blogging community that Sofri comes out of, but so far it has not built a sizeable audience. This represents a potentially serious problem, given that the site relies on advertising alone to cover its operating expenses. Nielsen Audiweb data suggest the site in 2011 generated around 125,000 pageviews per day. If *Il Post* does not manage to extract a premium for advertising on the site, the figures for average CPM and gross revenues provided by Pozzi suggest the site needs to at least quadruple traffic to break even. It will need to do even more if the value of a given size audience starts to erode in Italy the way the case of *Rue89* suggests it has in France. As one media commentator has

said: ‘well beyond any consideration of the product quality, [*Il Post* is] certainly facing an uphill battle’.¹³³ In 2010, the first year of operations, *Il Post* generated total revenues of €35,506 and a loss of €167,158.¹³⁴



Figure 4.2. Traffic at *Il Post*. Data provided by Audiweb, powered by Nielsen

Currently, *Il Post* relies on help from Banzai, an internet company offering e-commerce, publishing, advertising and consulting services, which is among the initial investors in the site.¹³⁵ Banzai provides technical and advertising support for *Il Post* and may be able to help the site grow traffic and advertising revenues. Banzai is also a shareholder of *Il Post*, together with KME Group (a corporation producing construction supplies and copper alloys), View Different Inc. (a consulting firm based in Seattle, owned by Diego Piacentini, Senior Vice President at Amazon), Giorgio Gori (a well-known Italian TV-businessman), Claudio Caprara (TV-journalist), and Sofri himself.¹³⁶ Sofri, who can still rely on the initial investment to bankroll the running deficit, does not seem overly concerned with issues of traffic and financial sustainability. He is more focused on the editorial side, on establishing a strong identity for his new venture. So far, *Il Post* has aimed to complement the existing online news offerings in Italy with aggregation, rewrites, and commentary by both reporters and unpaid bloggers. While it does draw tens of thousands of visitors every day, it needs to attract more to break even. To do so it will have to expand its niche beyond its current readers.

¹³³ Massimo Russo, ‘Il Post? 15mila utenti unici al giorno, difficile far tornare i conti’: <http://massimorusso.blog.kataweb.it/cablogrammi/2010/09/06/il-post-15mila-utenti-unici-al-giorno-difficile-far-tornare-i-conti>.

¹³⁴ Information from the Business Register of the Italian Chamber of Commerce.

¹³⁵ In the last few years, Banzai has managed to develop a small network of websites that attracts a total of 1,684,459 unique users (in June 2011): the third place in the overall ranking of internet companies in Italy.

¹³⁶ Information from the Business Register of the Italian Chamber of Commerce.

Lettera43

Table 4.5. *Lettera43* at a glance

Launched	7 October 2010
Staff	21
Operating costs*	€1,800,000
Initial funding	€5,000,000
Business model	Advertising
Journalism model	Web magazine
Reference model	<i>Daily Beast</i>
Unique users (daily)**	40,311
Unique users (monthly)**	555,000
Pageviews (daily)**	176,000
Facebook friends***	31,855
Twitter followers***	1,323

* Estimates provided by Paolo Madron, editor-in-chief, *Lettera43*.

** Data provided by Audiweb, powered by Nielsen, June 2011.

*** Last checked on 4 Aug. 2011.

Lettera43 was launched in October 2010 by the brand-new publishing house News 3.0. It promotes itself as a ‘daily magazine’ and covers current news with frequent updates, along with the in-depth analysis and commentary typical of a more traditional printed weekly magazine. The name is a combination of an icon and a date. The icon is the Lettera 22, a portable typewriter produced by Olivetti in 1950 that in Italy has become a symbol of the engaged reporter.¹³⁷ The date is the year 2043, the year some have suggested will be the last to see printed newspapers produced in the United States.¹³⁸

For the people behind *Lettera43*, the typewriter and the year of the eventual projected demise of print together represent the beginning and the end of an era in journalism and the media business that the site is meant to go beyond. *Lettera43* is explicitly inspired by the *Daily Beast* (a news website launched in the US in October 2008 and merged with the weekly magazine *Newsweek* in November 2010), both in its graphic design and in its publishing strategy. The site combines coverage of current events and quality commentaries with lighter content and gossip. (This mix is not unlike that found in many Italian newspapers, where the distinction between tabloid and broadsheet so pronounced in, for example, the UK is not to be found.) *Lettera43* was, like the *Daily Beast*, launched by a well-known

¹³⁷ Some renowned Italian journalists, such as Indro Montanelli and Enzo Biagi, always carried one of these typewriters with them.

¹³⁸ www.economist.com/node/7830218?story_id=7830218.

journalist who decided to leave behind print and embrace the web. The founder is Paolo Madron, born in 1956, a long-time reporter for various financial publications (including *Il Sole 24 Ore*), former deputy editor-in-chief of Italy's most popular weekly *Panorama*, and former editor-in-chief of the business magazine *Economy*.

Madron's close ties to the financial world were instrumental in raising initial funding for *Lettera43* and in securing attractive advertising deals. The site was launched with €1m raised by founding members (including Madron) and another €4m raised from various prominent business figures including Matteo D'Arpe, Angelomario Moratti, and Paolo Cantarella.¹³⁹ (The *Lettera43* newsroom is hosted in the Milan headquarters of Sator, the company led by D'Arpe.¹⁴⁰) The start-up capital provides *Lettera43* with an exceptionally privileged initial position, though people have questioned whether its ties with major businessmen will compromise its autonomy. (When asked whether the site would ever publish stories that went against the interests of the investors, Madron answered 'absolutely!'¹⁴¹) During the first three months of 2010, Madron also managed to use his network to secure agreements with 25 large advertisers which, according to him, generated 'about 670,000 euros – more than the full 2010 budget'. (Given the current traffic the site attracts, the price paid for these advertisements is more akin to sponsorship than market rates for online display banners.) From January 2011 onwards, *Lettera43* contracted Advertising Manzoni, a top Italian advertising company, to tap into an even larger client network for its inventory.

Given Madron's experience as a journalist and editor, and the substantial funding he has secured for his new enterprise, he has been able to focus on developing a publishing strategy and a strong online identity to achieve his goal of competing with established titles like *La Repubblica* and *Corriere della Sera* for people's attention. 'We focus a lot on our general style and tone', says Madron. 'I really like the *Daily Beast's* approach: you can read a featured story about Barack Obama and gossip news about Paris Hilton, and feel that they have been drafted by same hand.'

Lettera43 boasts a newsroom with around 20 reporters and also works with about 50 external contributors who are paid around €30–€50 per story. The site publishes about 80 stories daily, most involving multimedia

¹³⁹ D'Arpe is former CEO of Capitalia, major holding company in Italy, and current CEO of Sator Group. Moratti is a member of the Board of Directors of Saras, one of the major oil companies in Italy. Cantarella is former managing director of the automotive giant FIAT.

¹⁴⁰ www.lastampa.it/_web/CMSTP/tmplprubriche/giornalisti/grubrica.asp?ID_blog=2&ID_articolo=1078.

¹⁴¹ Interview, 6 June 2011.

formats: even if news stories tend to be very text-centric, they often come with photo-galleries. In addition, *Lettera43* produces two video newscasts every day (the first around lunch time, the second in the late afternoon).¹⁴² Though it actively integrates photos and videos in its coverage, *Lettera43* still looks relatively similar to legacy online outlets.



Figure 4.3. Screenshot with the short version of a story on *Lettera43*. If you click on ‘vai all’articolo esteso’ (Go to the full story) you can get the full story. In this way *Lettera43* is able to increase the number of pageviews generated, one of the most relevant values for a website based just on impressions and CPM (30 Jan. 2011).

Compared to *Il Post* and *Linkiesta*, *Lettera43*’s editorial approach is relatively traditional. Madron is well aware of this: ‘We are completely different from other start-ups recently launched Italy. They are targeting

¹⁴² *La Repubblica.it* and *Corriere.it* also offer video newscasts on their websites.

niche audiences, while we are interested in reaching a mass audience', he explains. In contrast to Sofri at *Il Post*, Madron appears to be more concerned with traffic figures. For each news-story *Lettera43* provides first a short summary and then a link to the full article – both mechanisms rarely used by traditional outlets and quite useful in increasing the number of pageviews generated.

According to Nielsen Audiweb data, *Lettera43* drew 555,000 unique visitors per month and 40,311 on an average weekday by the summer of 2011. Traffic had been growing in the first half of the year, but then stabilised: in November 2011, the number of monthly unique visitors was 39,122 (see Figure 4.4). By mid-2011, the site generated 176,000 pageviews daily and more than 5 million every month. (As is often the case, internal data suggest that the site attracts more traffic than that: Madron gives figures of 130,000 unique visitors daily and an average of 600,000 pageviews daily for early 2011.)



Figure 4.4. Traffic at *Lettera43*. Data provided by Audiweb, powered by Nielsen

Though *Lettera43* grew its traffic rapidly during its first six months of operations and Madron has secured some very favourable advertising deals for the site, it will need to continue to grow very dramatically to break even in the near future. The annual operating costs for the sizeable newsroom, technical backup, and sales are around €1.8m. Financing this kind of operation on a CPM-basis in the current Italian market is not realistic, and Madron knows that. 'We cannot fully support our structure only with banners and the Cost Per Impression advertising', he says. 'Indeed, after our first birthday we plan to open several vertical micro-sites (about gossip, sports, technology, entertainment, etc.) to generate more traffic and target niche audiences. We are also working on syndication contracts and, like

the French site *Rue89*, on developing online media training and assistance for external web projects.’

So far, *Lettera43* has relied mostly on its start-up capital and the initial favourable advertising deals secured through Madron’s personal and professional network. In the future, the site will need to continue to grow very rapidly and diversify its revenues beyond advertising to sustain its current cost structure. In October 2011, News 3.0 launched the new portal *Economiaweb.it*, similar to *Lettera43* in terms of layout, but focused strictly on business news. Since its launch, *Economiaweb* has broken the news of several deals in the Italian financial sector, and received attention from national and international news outlets. (*Lettera43* has yet to secure a major scoop of its own.) Soon after *Economiaweb*, News 3.0 launched *Modainforma.it*, a news website focused on fashion and design and in the coming months plans to launch another vertical focused on travel and tourism, topics that, like fashion, may attract more attention and advertising than current affairs. But Madron also seems to be toying with other ideas, including some sort of partnership with an established legacy media outlet, something that would make *Lettera43* a central node in a larger network – he highlights the *Daily Beast/Newsweek* combination in the United States and says ‘News 3.0 could decide to buy off a well-known brand on the verge of bankruptcy. Think of *L’Unità* (one of the oldest Italian newspapers, founded in 1924 by philosopher Antonio Gramsci): finances are not doing well, but they have a strong brand and a vibrant community of readers.’¹⁴³

Lettera43 is a journalistically ambitious start-up, and has the newsroom to compete with larger legacy media organisations on breaking news and investigative reporting. The main competitors, *La Repubblica.it* and *Corriere.it*, however, both have substantially larger staffs and significantly more traffic, as have other news organisations ranging from old titles like *La Stampa* to the recently launched newspaper *Il Fatto Quotidiano* and news-magazines like *Panorama* to broadcasters like RAI, Mediaset, and Sky Italia. By trying to compete directly with industry incumbents – even comparatively weak ones like the Italian ones – *Lettera43* has taken on a major challenge. It has the money to sustain its considerable operating costs for at least another couple of years, but it will need to diversify beyond advertising, expand its audience, and establish itself in new niches to break even. Otherwise it might find itself in a situation akin to that of *Rue89* in France – recognised as an innovative journalistic enterprise, but ultimately forced to rely on a partnership with a larger legacy media organisation to

¹⁴³ Interview, 6 June 2011.

survive long-term. This would be a fate not unlike that of the *Daily Beast*, in fact, the site that Madron is so inspired by – a site that struggled to break even on its own, and that has now merged with the traditional print weekly *Newsweek*.

Linkiesta

Table 4.6. *Linkiesta* at a glance

Launched	21 January 2011
Staff	15
Operating costs*	Around €800,000
Initial funding	€1,600,000
Business model	Advertising and premium content
Journalism model	Analysis, investigative reporting
Reference models	<i>Mediapart, Politico</i>
Unique users (daily)*	12,000
Unique users (monthly)*	152,000
Pageviews (daily)	N/A
Facebook friends**	8,779
Twitter followers**	4,391

* June 2011: estimates provided by Jacopo Tondelli, editor-in-chief, *Linkiesta*.

** Last checked on 4 Aug. 2011.

Linkiesta, a neologism of the Italian words for ‘link’ and ‘inquiry’, was launched in January 2011 and aims to provide independent investigative reporting and analysis for both casual visitors and paying subscribers. In an Italian context, its ambition to be truly independent of outside political and business interests may be its most distinct characteristic, and one the site broadcasts proudly. ‘We have eighty founding members and owners’, the site explains in the ‘about’ section which explains how the company is set up to ensure editorial independence. Each of these 80 people have invested between €10,000 and €50,000 in the venture, and all are limited to owning a maximum of 5% of the company. This capital structure is meant to insulate the newsroom from undue influence from a few major investors, and has brought in about €1.6m in initial funding. With an estimated annual budget of around €800,000, this start-up capital should be enough to sustain the site for two years as it builds traffic, attracts subscribers, and explores alternative revenue streams.

Jacopo Tondelli, the *Linkiesta* editor and a former reporter at *Il Riformista* (a leftist daily in economic difficulties) and the financial desk of *Corriere della Sera*, explains that the site has no interest in ‘trying to compete with other major players on their turf. [We prefer] rather in-

depth coverage, commentaries, investigative reports – and above all, no gossip at all.¹⁴⁴ *Linkiesta* currently employs 13 full-time reporters, most with a newspaper background. In addition, about 50 other paid contributors write occasionally for the site.

Linkiesta is experimenting with a range of new forms of publishing. Most days, the site offers an infographic on the story of the day, providing context and a historical perspective to news covered across the web. No other online media outlet in Italy produces such content, an innovative initiative in an online media landscape that is still text-centric and, on the multimedia side, oriented just to photo-galleries and video content. (At the same time, it must be noted that infographics are often static and look very similar to what could be published in print.) Recently, *Linkiesta* has also launched an e-book series: the first title is about Beppe Grillo's grassroots movement, described through a journey among its sympathisers active on the ground.¹⁴⁵ Through micro-publishing like this, *Linkiesta* is trying to find a new revenue stream to support its work.

Tondelli is keen to underline that *Linkiesta*, with its emphasis on editorial independence, investigative reporting, and lack of gossip, is a break with the past of Italian journalism. 'We feel closer to news-portals such as *Politico* in the US and *Mediapart* in France,' he says. 'The former because it has the ability to cover very closely the Washington agenda and to anticipate other media on hot issues. The latter [because it] has an interesting business model: investigative reporting funded only by subscribers.'¹⁴⁶

Since its launch, *Linkiesta* has made all its content (12–16 pieces are published every day) available for free, though in autumn 2011, it launched a campaign for paid subscriptions.¹⁴⁷ Currently, all items are behind a 'softwall' – when users click on one of the main stories, a pop-up appears with a video featuring Tondelli requesting that the reader support the project by becoming a paying subscriber. After 60 seconds the reader can access the story for free. As for now, *Linkiesta* proposes three different types of subscriptions: a 'basic' subscription (€100 per year) allows users to skip the 'softwall' and intrusive advertising, and gives access to the entire archive of the site and membership of the *Linkiesta* 'club' (a web-forum where members can get in touch with reporters and propose stories). A

¹⁴⁴ Interview, 6 June 2011.

¹⁴⁵ Beppe Grillo is an Italian comedian, blogger, and political activist. Since the mid-2000s, he has helped orchestrate various protests and demonstrations, on several occasions involving millions of people, against what he sees as a corrupt and ineffective political establishment.

¹⁴⁶ Interview, 6 June 2011.

¹⁴⁷ www.linkiesta.it/sostieni-linkiesta#ixzz1U6kPP01B.



Figure 4.5. Screenshot (25 Jan. 2011): an example of a *Linkiesta* infographic. It is not interactive.

'junior' subscription (€50 per year) offers the same features as the basic subscription, but at lower rate. It is aimed at people under 35 years old, students, teachers, and 'whoever thinks that this is the maximum he can afford to support the project', as explained on the subscription page. Finally, a 'supporter' subscription (€500 per year) offers the features of the basic subscription plus the possibility to engage with 'open house' editorial meetings and attend *Linkiesta's* board meetings.

Linkiesta is thus clearly interested in testing the waters for community-building along the lines of *Rue89* in France and pro-am initiatives like the *Huffington Post's* 'Off the Bus' coverage of the 2008 US Presidential election. Tondelli also plans to charge for premium content, with one-off payments required to access special dossiers, reports, or the full archive. The long-term goal is a 'free-mium' model along the lines currently being explored by many newspapers around the world. At this moment, however, the plans are in a flux. 'We are just in a brainstorming phase', underlines Tondelli. 'We are focusing on strengthening the free version: our short-term goal is to reach 40,000 unique visitors per day and 1.5 million pageviews per month, and at least 2,500 paying subscribers by year end.' *Linkiesta* has not been able to reach these figures yet. As of February 2012, 500 people had paid for a subscription to the website.¹⁴⁸ With subscriptions lagging behind, currently *Linkiesta* has to rely mainly on advertising for its revenues. Tondelli says the plan is to cultivate specific groups of users with high levels of income and education through particular editorial products in order to secure ad hoc sponsorships (akin to the strategy pursued by *The European* in Germany). The site is currently not part of Audiweb's traffic data service, and the only numbers available are thus internal ones. In the summer of 2011, these suggested that the site drew 10,000–14,000 unique visitors daily. Relying mostly on CPM style advertising, the site needs about 10 times that traffic to break even, so there is a clear need to grow traffic, develop the business model, and diversify revenue streams to achieve sustainability.

The most recently launched of the sites examined in this report, *Linkiesta* is undergoing constant change in terms of its journalistic and business models. The site started featuring a few, long-form investigative stories and then moved towards more open and web-native formats, in an effort to build a stronger community. Currently, the site offers mostly outlines and shorter stories, and has begun hosting over 50 bloggers (unpaid, like at *Il Post* and the *Huffington Post*, while contributors for news stories are paid). It publishes frequent commentaries on major events of

¹⁴⁸ Follow-up email by Tondelli's assistant, 14 Feb. 2011.

the day, and quick notes on national politics and local issues – an editorial line closer to *Politico*'s incessant flow of material than *Mediapart*'s premium investigative reporting. Also, in contrast to the French site, *Linkiesta* has yet to break a major news story. Focusing just on community building might not be enough: with a smaller newsroom and less investment than *Linkiesta*, Sofri's *Il Post* has almost double the number of Facebook fans and Twitter followers, and twice as many unique visitors to its website.

If *Linkiesta* fulfils its ambition to provide independent, investigative reporting and use innovative web formats to share it with readers, it will become an important addition to the Italian media system. But the site has yet to build a loyal subscriber base. Its current operating costs are too high to be supported on an advertising-only revenue base for the foreseeable future, so Tondelli and his colleagues will need to secure additional revenue streams soon, raise additional capital, or cut costs. That way, it may find the time necessary to secure a sustainable niche for itself.

Conclusion

It is too early to say which of the crop of journalistic online start-ups that have recently emerged in Italy will survive, and whether they will change the country's media system. All three ventures discussed here are still experimenting with their editorial line, their formats and forms, and their business models. All of them are backed by large enough initial investments that they will have some time yet to experiment – and they need that time, for all of them are running at a loss. In some cases, outside backers may, for whatever personal, pecuniary, or political reasons, be willing to bankroll these losses. But for entities like *Linkiesta* that aim at achieving editorial autonomy by building an independent and sustainable business, there is still work to be done.

Il Post, with its low operating cost and niche audience may yet grow into a sustainable enterprise, but it needs a larger audience and probably additional revenue streams beyond advertising. As *Perlentaucher* has shown in Germany, a boutique venture with an emphasis on quality curation and commentary can become sustainable, but only if costs are kept very low, genuine quality is delivered to a clearly defined and loyal audience, and revenues come from more than simply display advertising. *Lettera43* is a much more ambitious venture, more akin to *Netzeitung*, *Rue89*, and *Mediapart* in terms of the size of its newsroom and operating costs. Though launched with substantial financial backing and by people

with both journalistic and management experience, it is not yet clear that it has been able to successfully compete with major legacy media and establish itself as the kind of widely read online medium of record it aspires to be. Given the strength of especially *La Repubblica* and *Corriere della Sera*, it may find it hard to break into this space. Even given the kind of favourable advertising deals the site has enjoyed so far, its considerable operating costs mean it will have to look for revenue beyond display ads or face continued running losses. Breaking even on the basis of advertising for an organisation that size did not work for *Netzzeitung*, did not work for *Rue89*, has not worked for most legacy media websites, and is not likely to work for *Lettera43*. *Linkiesta*, on the other hand, aims to experiment with the kind of pay model that has worked for the rare case of *Mediapart* in France. So far, however, it is unclear whether the site has defined an editorial line or audience that will allow it to replicate the latter's success. With its relatively substantial operating costs and currently limited audience, the site needs to change to succeed.

Several media experts have questioned the commercial feasibility of all these start-ups – and in particular underlined that traffic growth alone is unlikely to make them sustainable in a market where they face two strong legacy media organisations already well-established online (and more trying to catch up) and where the low average CPM suggests the supply of online advertising outstrips demand. According to Angelo Agostini, director of the master's programme in journalism at Milan's IULM University, 'to have success, any journalism project must develop a strong identity and a clear target audience'.¹⁴⁹ Examples of this can be found amongst more locally oriented start-ups than the ones examined here. Since the late 1990s, several independent entrepreneurs have tried to fill the void left by legacy media players in the coverage of local news (Italy's local and regional press is quite weak). The most successful one is *Varese News*, a news website launched in 1997. According to internal data, it today attracts around 70,000 unique visitors per day (a figure bigger than the number of copies the local newspaper *La Prealpina* manages to sell on most weekdays).¹⁵⁰ Started as an independent venture, the site now employs 10 journalists and seems sustainable. Among its shareholders are both local unions and the federations of employers and merchants. The success of *Varese News* has inspired the launch of other similar initiatives in Italy, including *Alguer.it* (a website serving the bilingual community of Alghero, in Sardinia) and *Sassuolo2000* (an initiative launched in the small

¹⁴⁹ Interview, 8 June 2011.

¹⁵⁰ 'News online, ritorno al futuro', *New Tabloid*, Associazione Walter Tobagi Istituto per la Formazione al Giornalismo 'Carlo De Martino', Sept.–Oct. 2009 (www.odg.mi.it/files/NewTabloid-n5-2009.pdf).

town of Sassuolo and now available in the Emilia Romagna region with a network of local sites). More than 50 hyperlocal publishers are federated in ANSO (Associazione Nazionale della Stampa Online). Together, the federation claims its members publish more than 2,000 original news stories every day and reach 6 million unique readers per month.

As an example of a national-level start-up that has managed to develop the kind of distinct identity necessary to carve out a niche in the market, Agostini points not to an online-only venture, but to the newspaper *Il Fatto Quotidiano*, founded in 2009 by a group of journalists with a background in print publishing. After just two years, the paper is selling an average of 100,000 copies each weekday and has become one of the most successful online news sites too, attracting more traffic (about 2 million unique visitors monthly) than more established newspapers like *La Stampa* and *Il Giornale*. *Il Fatto Quotidiano* is also very active on various social media sites, boasting 570,000 friends on Facebook – a good deal more for instance than the *Huffington Post*. ‘Starting completely from scratch’, Agostini explains, ‘*Il Fatto Quotidiano* was able to attract a large following around a political project that was openly anti-Berlusconi.’ He continues: ‘I do not believe these new online projects have the strength to reach the same success, and they are even less capable of competing with larger publishing enterprises already on the web.’

So far, the new crop of Italian journalistic online start-ups have been innovative in their use of web-native formats more than in the content of their reporting, their journalistic styles, or their business situation. In this sense they may be ‘pure players’, digital natives working with web video, interactive infographics, and various forms of community engagement. But journalistically, most of them still work within the opinionated world of Italian journalism – full of partisanship, commentary, and long-form analysis, less heavy on hard news reporting and investigative journalism, commercially opaque and often tied in with numerous outside interests, rarely breaking even on the basis of their own work. Some Italian journalists may have seen new forms of online publishing as an opportunity to break with the past. They have yet to realise it.



Position in competition or as complement to legacy media

Figure 4.6. Italian pure players

5. An Uncertain Future for Journalistic Online Start-Ups in Western Europe

The future is uncertain, not only for news industry incumbents, but also for journalistic online start-ups. All of the ventures discussed here operate in extremely uncertain circumstances – dependent as they are on fickle users, fluctuating advertising markets, and the whims of their investors, while facing fierce and ever-changing competition from legacy media and internet giants as well as from other start-ups in a rapidly evolving technological environment. None of them have found a winning formula guaranteeing commercial sustainability. All of them have struggled to break even.

The situation in Western Europe seems even more unsettled than it is across the Atlantic. In the United States, a growing number of journalistic online start-ups appear to have found sustainable niches of their own, nationally or locally, powered by the quality of their content and curation and their use of new technologies and formats but also enabled by the context in which they operate – a continental nation with a massive advertising market and a legacy media industry that remains oriented towards a mainstream audience, leaving some people poorly served. Already in 2010, the *Huffington Post* reported that it had broken even on revenues of \$30m.¹⁵¹ The *Gawker* network of websites generated an estimated \$15–\$20m in total revenues.¹⁵² *Politico* has a turnover of more than \$20m (a good portion of which comes from its print edition).¹⁵³ In contrast, the largest and most ambitious of the journalistic online start-ups

¹⁵¹ The *Huffington Post* aims at a threefold increase in its gross income by 2013: www.bloomberg.com/news/2011-02-07/aol-to-buy-huffington-post-for-315-million-founder-keeps-role.html.

¹⁵² www.newyorker.com/reporting/2010/10/18/101018fa_fact_mcgrath.

¹⁵³ www.vanityfair.com/politics/features/2009/08/wolff200908.

analysed here – *Mediapart* from France – generated €5m in revenues in 2011 (less than what one would expect from a small daily newspaper). In large part due to the different context they operate in – smaller markets, competition from more differentiated legacy media – no European start-up has generated anything like the revenues seen in a few cases in the United States.

This does not mean that these new ventures do not matter or that they are doomed to fail. Even unsuccessful start-ups can be professional and technological pioneers, pushing the development of journalism itself. (Johannes Gutenberg died a broken and disappointed man, but his invention of moveable type was integral to a social and economic transformation in early modern Europe nonetheless.) And in Western Europe too, there are opportunities for new journalistic online start-ups. Where these opportunities lie differ from country to country. While the failure of *Netzeitung* in Germany suggests that there is little room for new entrants in the general news sector there, some niche projects have thrived. For a decade, a virtual lifetime in the proverbial ‘internet years’, *Perlentaucher* has demonstrated that small alternative outlets with low operating costs, careful cultivation of premium advertising and additional revenue streams, and a clearly identified niche audience can survive even when operating in a media system dominated by very strong legacy media organisations. *The European*, a much more recent venture, is searching for a similar, distinct niche for itself, though for the time being it looks like it could well end up facing incumbents that are simply too strong, too well-known, and too good for it to compete effectively with. Some hyperlocals and sites oriented towards immigrant communities have also established themselves in Germany. In France, some representatives of the impressive ‘Nouvelle Vague’ of start-ups have managed to take on legacy organisations and beat them at their own game. *Mediapart*, with its aggressive reporting style, has secured scoop after scoop and rocked the political and financial establishment by breaking for example the story of the ‘Bettencourt Affaire’. *Rue89* has, after more than four years of independent operation, joined forces with the established news-magazine *Le Nouvel Observateur*, and will bring a strong online track record and an emphasis on audience involvement to the web presence of the combined entity. *AgoraVox* has largely avoided head-on competition with legacy players and instead emphasised user involvement, for years representing arguably the most successful citizen journalism venture in Europe. Several local pure players also seem to be flourishing around the country, offering news for local target audiences and, in several cases, experimenting with

mixed business models to generate enough revenues to cover costs – as for example the hyperlocal site *DijOnscOpe* which has recently introduced paywall. Italy has, with its somewhat lower levels of internet access and use, been a relative late-comer to the emergence of journalistic online start-ups in Europe. But today ventures like *Il Post*, *Lettera43*, and *Linkiesta* are all working on turning engaging, web-native forms of journalism into sustainable media businesses. (Early data on their traffic and revenues suggest that they too will have to think about keeping operating costs low, diversifying beyond online advertising, and about identifying their own distinct niches.) Smaller sites like the long-running *Varese News* and more recent entrants like *Sassuolo2000* and *Alguer.it* are putting pressure on local legacy media who have been slow to move online.

Journalistic qualities aside, legacy media organisations and journalistic online start-ups face a common problem: finding business models for online journalism. Though both the proportion of the population going online regularly and the time they spend there has grown for years, and advertisers increasingly are moving online as a consequence, the overall revenues of the online news business have not grown to nearly the same extent. Neither news industry incumbents nor newcomers can count on being able to grow their way to sustainability online simply by increasing traffic. More people spend more time online, but not necessarily on news. More advertisers spend more money online, but not necessarily to the benefit of content creators. Search engines like Google, social media sites like Facebook, portals like those operated by Microsoft and Yahoo (and national equivalents), and increasingly also new intermediaries for digital content like Apple's iTunes and Amazon's various e-reader and music services, dominate the online economy, while millions of smaller sites exert a downwards pull on display advertising rates.¹⁵⁴ This represents a very difficult environment for journalistic online start-ups, especially for those relying on advertising.

Not one, but many models for journalistic online start-ups

The watchword is the same across the news industry today – diversification. The problem remains where those additional streams of revenue are going to come from, what they will add up to, and to what extent they will continue to be tied to the creation or curation of content by professional journalists. In all three countries considered here, several

¹⁵⁴ This trend is pronounced in the USA too, where five companies, Google, Yahoo, AOL, Microsoft, and Facebook, in 2011 captured 63% of digital advertising revenue. See www.niemanlab.org/2011/09/the-newsonomics-of-1-2-3-4.

new ventures have been wandering in the so-called ‘Valley of Death’ phase of the start-up financing cycle, a phase characterised by a negative cash flow – propelled by optimism and infusions of cash from outside investors, costs are allowed to continually outpace income and projections for the future consistently turn out to have been too upbeat, leaving the company bleeding money.¹⁵⁵ (Of course, *Rue89* demonstrates, as the *Daily Beast* did in the US, that you might still be acquired if someone is sufficiently impressed by your web savvy to disregard your operating loss.) Beyond advertising, the start-ups we have examined have experimented with content syndication, e-commerce, advertorials, consultancy work, events planning, reader donations, subscriptions, and the sale of short e-books or printed spin-offs. New technologies have certainly brought down the barriers to entry into the news business and made it easier for journalists and others aspiring to change it through entrepreneurial new ventures to get started. But sustainability is a separate question. A thousand flowers are blooming in online journalism across Western Europe, but most are struggling to survive – as is clear from Table 5.1, which summarises the track record of the nine cases examined in this report.

Table 5.1. Track records of the nine start-ups examined

Germany	<i>Netzeitung</i>	<i>Perlentaucher</i>	<i>The European</i>
Dates of operation	2000–9	2001–	2009–
Staff	40-60	4	14
Annual operating cost	About €2m	About €250,000	N/A (est. €1m)
Breaking even?	Never did	Yes	N/A (probably not yet)
France	<i>Agoravox</i>	<i>Rue89</i>	<i>Mediapart</i>
Dates of operation	2005–	2007–	2008–
Staff	9	26	36
Annual operating cost	About €300,000	About €2.2m	About €4.5m
Breaking even?	Not at the moment	Not yet	Yes, since 2011
Italy	<i>Il Post</i>	<i>Lettera43</i>	<i>Linkiesta</i>
Dates of operation	2010–	2010–	2011–
Staff	6	21	15
Annual operating cost	About €250,000	About €1.8m	About €800,000
Breaking even?	Not yet	Not yet	Not yet

¹⁵⁵ http://en.wikipedia.org/wiki/File:Startup_financing_cycle.svg.

It is too soon to tell if sustainable models for online news production can be found, how they might scale, and which ones will travel across national borders and systemic differences between different media systems. Economic historians have shown how it can take decades before peoples' habits, market structures, and business models become standardised again after the introduction of a new, disruptive technology like the internet.¹⁵⁶ Before such a stabilisation occurs (if it does), the usual creative destruction characteristic of capitalism operates at a heightened pace – corporate mortality is above average both amongst incumbents and new entrants, money is made and fortunes lost, and modes and levels of employment change. Even 15 years after the internet moved from a specialised infrastructure for the few to a global network with hundreds of millions of users, stabilisation has yet to take place in the online news business. For those without the benefit of the historian's hindsight and long-term view, it sometimes feels like it is undergoing a permanent revolution. A rule of thumb in magazine publishing is that a new title often takes five years before it breaks even. That is a long time in a period characterised by uncertainty as well as by opportunities for professional and commercial innovation. It is a grace period afforded to few.

Successful start-ups will need to remain flexible as they navigate these treacherous territories, and above all keep their cost structure as lean as possible. Even though persuasive entrepreneurs may manage to raise considerable sums to start new ventures, there is little evidence to suggest journalistic online start-ups can realistically expect to generate multi-million euro revenues in most European countries in the near future, let alone considerable profits. Indeed, if investors hope to pick a winner that will grow into a much larger enterprise, they may be as taken in by our received conception of what a commercial news media company is as many commentators and journalists are – imagining it as something that involves hundreds of employees, loyal audiences in the hundreds of thousands, and revenues and profits in the millions. These are the kind of companies the private media sector became dominated by with industrialisation and corporate consolidation, especially in the second half of the twentieth century. These are the television and newspaper giants we associate with 'the media' today. But perhaps journalistic online start-ups and the future for journalism they portend are better seen through the lens of pre-industrial media – small enterprises built around a lone owner-operator or a few entrepreneurs backed by outside money, powered by a

¹⁵⁶ Paul A. David, 'The Dynamo and the Computer: An Historical Perspective on the Modern Productivity Paradox', *American Economic Review*, 80/2 (May 1990), 355–61.

wider circle of occasional paid and sometimes volunteer contributors, with limited costs, limited audiences, and equally limited revenues and profits. This is the scenario Tom Standage in *The Economist's* 2011 special report on the media has called 'back to the coffeehouse', a move towards a digitally augmented version of the pre-mass media origins of how we communicate.¹⁵⁷ It represents a combination of many smaller media organisations, a more active and technologically empowered population using social and mobile media to express themselves, share things, and create their own content, and (in an important twist on the historical analogy) the rise of new, giant, information intermediaries like telecommunications companies, search engines, social media sites, and others that own and operate the infrastructure the rest of us rely on.

For the journalists involved, the start-ups analysed in this report are a long way from the large, bureaucratic legacy media organisations that dominated most Western media systems throughout much of the twentieth century. It is far from their fading world of full-time employment, high job security, and internal opportunities for promotion and professional fulfilment. The emerging ecology we have encountered has more in common with the art world or with parts of the non-profit sector, based as it is on a constant inflow of cheap talent working under precarious conditions (interns, young journalists, freelancers, unpaid bloggers, laid-off newspaper veterans back for that last fix, etc.), reliant on outside backers with mixed motives (some purer than others), and characterised by a constantly evolving scene of different ascendant players, rather than a set of stable, established, dominant ones. This is probably good for creativity and innovation, but it is not going to sustain many full-time professional reporters or life-long careers. The transition from what in the United States is called 'print dollars' to 'digital dimes' has clear negative implications for the numbers of journalists the news business can sustain on a purely commercial basis. Here our appropriation of the term 'Nouvelle Vague' suggests a further analogy to that other wave of innovative start-ups taking on the incumbents, driven by creative and professional ambition rather than commercial interest – though a few of the filmmakers and actors involved in the 1950s and 1960s cinematographic movement did become stars and a few investors may have made profits, most of their innovative work was probably loss-making from a commercial point of view.

¹⁵⁷ www.economist.com/node/18928416.

Whether the weakened economic foundations of the profession are good or bad in terms of the quality of the journalism produced remains an open question. Some observers are highly critical of what they perceive to be the rise of ‘churnalism’ and ‘digital windsocks’, simply spewing out content on the basis of press releases and spin by professionalised sources.¹⁵⁸ But it is worth keeping in mind that journalistic online start-ups such as those analysed here mostly start out first and foremost as *journalistic*, driven by professional ambitions at least as much as by commercial ones, and that some of the ventures we have looked at position themselves both in theory and practice in opposition to inherited forms of journalism they perceive as too close to people in positions of power – most notably *Mediapart* in France.

Low cost, diverse revenues, niche audiences – three features of successful start-ups

The journalistic online start-ups that succeed – if we define success simply as survival – have all adapted to the context in which they operate, different from country to country as highlighted throughout. With the partial exception of *Mediapart* in France, they have generally avoided head-on competition with legacy media organisations that almost all continue to command stronger brands, larger newsrooms, and produce more original content than any new entrant. All offer different kinds of quality – quality content, quality curation, quality forms of user involvement and co-creation, quality formats with use of video, interactivity, or other appealing features. They also have three further qualities in common in that they have:

- kept costs under control;
- diversified their revenue base beyond online advertising;
- catered to a clearly defined niche audience.

Beyond quality content, then, a lean cost structure, diversified revenue streams, and careful positioning within a given media market seem to be the necessary preconditions for success for journalistic online start-ups at this stage (often combined with real enthusiasm for new forms of journalism on behalf of those involved, and concomitant willingness to forego the relative security of a job in the shrinking legacy news industry).

¹⁵⁸ See for instance Nick Davies, *Flat-Earth News* (London: Chatto & Windus, 2008). See also Andrew Currah, *What’s Happening to our News: An Investigation into the Likely Impact of the Digital Revolution on the Economics of News Publishing in the UK* (Oxford: RISJ, 2009).

Some of these qualities are identical with those identified in studies of successful start-ups in the United States, but the difference in market size and in inherited media industry structure are crucial factors in determining the feasibility of new ventures in different contexts. Arguing that one is launching the ‘*Huffington Post* of country X’ may guarantee some media coverage of the new venture, but it does not ensure business success if several legacy players with strong online presences already cater to the affluent, liberal-leaning, well-educated audience the *Huffington Post*’s US success is built around. This point is even more important in smaller media markets than in the three large ones covered here.

As made clear from the outset, this report is a snapshot of a rapidly changing environment. One should be careful in extrapolating from it predictions about the future. But in our view, it is unlikely that the basic position of journalistic online start-ups in Western Europe – competing simultaneously with larger legacy media with increasingly sophisticated online operations and with internet giants that capture the majority of online advertising – will change dramatically in the next few years. The character of the competition may well change, however. Continued structural decline of the press in particular and the potential spread of paywalls across newspaper websites may present new opportunities for start-ups. Aggressive investment in their online presence by legacy players, especially in countries like Italy where many have hesitated, or by broadcasters, some of whom have been late to move online in force, may foreclose others. Joint ventures between start-ups and legacy players, or outright acquisitions, as happened in the case of *Rue89*, may well spread in cases where industry incumbents feel they have to catch up, and provide an alternative path to success for innovative but commercially unsustainable start-ups. Changes in intellectual property protection and copyright law, pushed for at both the national and the European Union level by many industry associations, may complicate start-ups premised primarily on curation of content (as illustrated by the case of *Perlentaucher* in Germany).

Survival is (a precondition for) success

The fundamental question raised by this report is whether any of these changes – or others, like the rise of mobile media – will make journalistic online start-ups across Western Europe more commercially sustainable than they seem today. In light of the general rule of thumb that only one in 10 start-ups succeed, looking at three, even strategically chosen, from

each country is a small sample. But looking simply at the projects we have analysed – some of the most prominent in three of the largest media markets in the world – it is clear that many may well be gone within a few years. For those which do not find commercial sustainability, the question is whether philanthropic or other forms of outside funding can be found. In most of Europe, the kinds of foundations and individual donations that long before the rise of the internet were an important part of funding journalism in the United States (most prominently in the past for public service broadcasting, today increasingly also for various new media ventures) are less common.¹⁵⁹ There is, however, a different tradition of supporting journalistic enterprises that are not commercially sustainable on their own – support provided for political or other instrumental purposes. ‘Pure publishers’, companies that are entirely based on their publishing activities, are fewer and more recent in much of Europe than in the United States. ‘Impure publishers’, conglomerates that subsidise publishing activities on the basis of other activities, are more common. The most well-known examples are of legacy media – take the French newspaper *Le Figaro*, owned by the Dassault Group, a major conglomerate with interests in the arms industry and run by Serge Dassault, a billionaire businessman, Senator, and member of the conservative UMP party. Dassault has publicly said that his newspapers ‘must promulgate sound ideas . . . [and] left-wing ideas are not sound ideas’ and has allegedly had critical coverage of his wider business interests spiked.¹⁶⁰ The accusations by some that start-ups like *The European* in Germany, *Mediapart* in France, and *Dagospia* in Italy have political objectives as much as journalistic ones and are directly or indirectly propped up by particular corporations, wealthy individuals, or political patrons, suggests that impure publishing might become a model for pure players too.

Most journalism, in most places, for most of history, has been cross-subsidised in one way or another.¹⁶¹ In the past, governments, political parties and civic associations, and private businesses have all underwritten news media of various sorts, and individual media entrepreneurs have used profits from printing contracts or other activities to bankroll journalism. More recently, surpluses from the sports and fashion sections have

¹⁵⁹ One report estimates that, in 2006, charitable giving amounted to 1.63% of GDP in the US, compared to 0.22% in Germany, 0.14% in France, and, excluding religious giving, 0.1% in Italy. See www.cafonline.org/pdf/International%20Comparisons%20of%20Charitable%20Giving.pdf.

¹⁶⁰ www.lemonde.fr/web/recherche_breve/1,13-0,37-880582,0.html;

www.nytimes.com/2004/09/22/business/worldbusiness/22iht-fig.html?_r=1.

¹⁶¹ Robert G. Picard, ‘A Business Perspective on Challenges Facing Journalism’, in David A. L. Levy and Rasmus Kleis Nielsen (eds), *The Changing Business of Journalism and its Implications for Democracy* (Oxford: RISJ, 2010), 17–24.

supported hard news in newspapers just as profits from soap operas and reality shows paid for the evening news on commercial television in large, integrated mass media companies. This latter model of commercially supported journalism, sustained by advertising first and sales secondarily, oriented towards the general population, is under intense pressure today, challenged by audience fragmentation, a movement away from profitable legacy media platforms, and the rise of new digital intermediaries and web services changing how we use media.

Journalistic online start-ups like the ones analysed here all aim to go beyond these previous models. They all pursue different forms of excellence, aiming to break news, curate content, host conversations, change formats, and invent new genres. In pursuit of their various goals, they all face a shared and more basic challenge: finding a sustainable model for whatever kind of journalism they aspire to provide. So far, this has been hard to find for all start-ups across Western Europe. That is why, at this stage, survival in itself must be recognised as a form of success, a precondition for whatever else new journalistic initiatives want to achieve.

People Interviewed for This Project

Italy

Angelo Agostini, director of Journalism Master at IULM University (Milan)

Davide Pozzi, marketing manager

Jacopo Tondelli, founder and news editor at *Linkiesta*

Luca Sofri, founder and news editor at *Il Post.it*

Mario Tedeschini Lalli, Innovation and Development Division at Gruppo Editoriale L'Espresso and Professor of Digital Journalism at Istituto per la Formazione al Giornalismo, Urbino

Paolo Madron, founder and news editor at *Lettera43*

France

Alice Antheaume, Associate director for prospective and international development at the École de journalisme de Sciences Po

Federica Cocco, *Owni*

Francesco Piccinini, news editor at *AgoraVox*

Frederic Filloux, general manager of the ePresse Digital Consortium

Pascal Riché, founder and news editor at *Rue89*

Germany

Alexander Görlach, founder, *The European*

Domenika Ahlrichs, editor-in-chief at *Netzeitung* (2006–9)

Lorenz Lorenz-Meyer, Professor of Online Journalism, Department of Media, Hochschule Darmstadt – University of Applied Sciences

Peter Schink, former journalist at *Netzeitung.de* and *Die Welt.de*, now new media consultant at Agentur Doppel-Stern

Thierry Chervel, co-founder of *Perlentaucher*

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All around Europe, new journalistic ventures are launched on the internet even as legacy media like newspapers and broadcasters are often struggling to adapt to a new communications environment. This report is the first to systematically assess how they are doing. Based on analysis of nine strategic cases from Germany, France, and Italy, it shows that the economics of online news today are as challenging for new entrants as they are for industry incumbents. Though internet use and online advertising is growing rapidly across Europe, it is not clear that this alone will provide the basis for new forms of journalism. Two challenges loom particularly large for all the ventures examined here. First, the market for online news continues to be dominated by legacy media organisations. Second, the market for online advertising is generously supplied and dominated by a few very large players.

There are examples of journalistic start-ups that have managed to break even despite these challenges, but they are in a minority. While many new initiatives are inspiring in their journalistic idealism and impressive in their technical inventiveness, most struggle to make ends meet financially. The start-up scene in Europe is still at a stage where survival must be seen as a form of success in itself. The report shows clearly how the opportunities to achieve sustainability differ in important ways from country to country, underlining that what is needed is more than mere imitation of initiative launched in the United States or elsewhere. Moving forward, journalistic entrepreneurs will have to match new forms of internet-enabled journalism with business plans tailored to the particular context each start-up operates in.

“If you want an insight into the range of challenges facing journalistic start-ups across Europe in the age of social media, this is it: an impressive and unique piece of work”

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“This comparative analysis of new journalistic pure players in Europe and the New Wave of French start-ups is both brilliant and original. “Survival is Success” manages to capture both the ever-changing effervescence characteristic of constantly evolving new forms of digital journalism and at the same time hones in on the underlying constant that is the ongoing search for sustainable business models for the future.”

Alice Antheaume
Associate Director of the School of Journalism at Sciences Po, Paris

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