Earning Their Keep

REVENUE STRATEGIES FROM THE TEXAS TRIBUNE AND OTHER NONPROFIT NEWS STARTUPS

A report prepared by Jake Batsell for the John S. and James L. Knight Foundation
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In five short years, The Texas Tribune has gained a reputation as a national model for nonprofit news. Since its launch in November 2009, the Tribune has grown from 17 employees to 50 and now has more full-time statehouse beat reporters than any other news organization in the United States. It has collected a heap of national and regional awards. And by the end of 2014, it had raised a cumulative total of more than $27 million through a combination of donations, memberships, corporate sponsorships, events and other sources of revenue.

What lessons can be gleaned from the Texas Tribune’s journey? How much of the Tribune’s experience is unique, and to what degree can its revenue-generating prowess be replicated by other news outlets? For a year, these questions guided Jake Batsell’s work as a visiting research fellow funded by Knight Foundation. (Batsell is an assistant professor of journalism at Southern Methodist University in Dallas.)

While based in the Tribune’s Austin newsroom from August 2013 to July 2014, Batsell investigated best practices in the business of digital news, focusing on the nonprofit realm. He sat in on staff and board meetings, conducted interviews with employees, and visited some of the Tribune’s nonprofit news peers around the country. The fellowship afforded Batsell unusual access to directly observe the Tribune as it evolved beyond its startup roots and adopted business strategies designed to build an enduring organization. Meanwhile, his travels to other news nonprofits provided a chance to compare and contrast the Tribune’s revenue strategies with those of its peers.

In his fellowship report, Batsell concludes that if there are generalizable lessons to be learned from the Tribune’s experience, they do not add up to a rigid recipe but rather a handful of strategic concepts that other news startups might consider applying in a way that makes sense to them. This much is clear: Among the past decade’s wave of nonprofit news startups, The Texas Tribune stands out as the most aggressively entrepreneurial.

The sheer scale of what the Tribune has achieved in Texas may not be replicable to other settings. But other nonprofit news outlets may wish to emulate some of the tactics that have propelled the site’s success. Batsell outlines key elements of the Tribune’s business model that are most—and least—likely to be mirrored elsewhere. Among the most replicable concepts are revenue diversity, entrepreneurial creativity and a shared sense of editorial and business mission.

The report also identifies best practices in each of the five main revenue streams cultivated by the Tribune and its nonprofit news peers: sponsorships and underwriting, events, memberships, philanthropy, and supplementary revenue sources.

Executive summary
Introduction

On the Texas Tribune’s first day of existence, during the late summer of 2009, a handful of staffers set off on an office-supply run in downtown Austin. The mood was giddy among the newly hired co-workers as they stuffed their carts with staplers, pens, highlighters and reams of paper to bring back to a sparsely furnished second-floor office on Congress Avenue. “There may have been a couple of races up and down the aisles,” recalled Emily Ramshaw, who left a plum reporting job at the Austin bureau of The Dallas Morning News for the adventure of creating a digital news startup from scratch and would later become the Tribune’s editor. “The carts were literally overflowing by the time we went through checkout.” Ross Ramsey, the Tribune’s executive editor and co-founder, also was among the ranks. “On the first day of a startup,” Ramsey said, “you’re completely unburdened.”

More than four years later, in January 2014, managers gathered in the conference room of the Tribune’s new, much larger office in the same building, a dozen floors above the site’s original home. They reviewed an annual budget projected to reach nearly $6 million in revenue, describing plans for a handful of new hires, video coverage of live events, and refined strategies for newsletter subscriptions and consumer marketing. As the meeting adjourned, CEO and Editor-in-Chief Evan Smith summed up what was obvious to everyone in the room: “We are no longer a startup.”

Indeed, The Texas Tribune of 2014 was far removed from its early days as a scrappy online news venture. Since launching the site on Nov. 3, 2009, it grew from 17 employees to 50 and entered 2015 with more full-time statehouse beat reporters (15) than any other news organization in the United States. In five short years, the Tribune has gained a reputation as a national model for nonprofit news, flexing financial muscle beyond its founders’ most optimistic expectations. By the end of 2014, it had raised a cumulative total of more than $27 million through a combination of donations, memberships, corporate sponsorships, events and other sources of revenue.

It all adds up to a diversified business model that funds the work of a growing and respected newsroom. The Tribune—circulated in print by other Texas newspapers (and, until recently, The New York Times), on air via TV and radio partnerships, and online through a flagship website that showcases livestreamed video and interactive databases—has collected a slew of national and regional awards, including the 2013 Investigative Reporters and Editors’ Gannett Award for Innovation in Watchdog Journalism. “Through the live stream combined with the interactive documenting of conflicts of interest and financial relationships,” IRE judges wrote, “the [Tribune’s] team has given us all unfettered access to the entire Texas legislature.”

What lessons can be gleaned from the Texas Tribune’s journey? How much of the Tribune’s experience is unique, and to what degree can its revenue-generating prowess be replicated by other news outlets?
INTRODUCTION (continued)

What lessons can be gleaned from the Texas Tribune’s journey? How much of the Tribune’s experience is unique, and to what degree can its revenue-generating prowess be replicated by other news outlets? For a year, these questions guided my work as a visiting research fellow funded by the John S. and James L. Knight Foundation. From August 2013 to July 2014, as an embedded researcher based in the Tribune’s Austin newsroom, I was given free rein to investigate best practices in the business of digital news, with a particular emphasis on the nonprofit realm. I had a front-row view of the Tribune’s operations, sitting in on staff and board meetings, conducting interviews with employees, and generally immersing myself in the workplace culture. I also visited some of the Tribune’s nonprofit news peers around the country, sharing much of what I learned on my fellowship blog, News-Biz.org, and in presentations at conferences and universities. I organized a Digital News Revenue Summit attended by more than 90 journalists and researchers from 27 countries.

This report summarizes the key findings from my year as a Texas Tribune fellow, after which I returned to my post as an assistant professor of journalism at Southern Methodist University. In the interest of disclosure, I should explain that the fellowship was structured around the principle of participant observation, not detached scholarly analysis. I was welcomed as a full-time colleague and occasionally offered my advice. But I worked independently at every stage, setting my own agenda and choosing the subjects to address on my fellowship blog and in this report.

The fellowship afforded me unusual access to directly observe the Tribune as it evolved beyond its startup roots and adopted business strategies designed to build an enduring organization. Meanwhile, my travels to other news nonprofits enabled me to compare and contrast the Tribune’s revenue strategies with those of its peers.

There is plenty to analyze about how The Tribune has changed the landscape of Texas journalism, but the primary focus of my fellowship year—and this report—is on how it finds ways to pay for that journalism. I came away with clear impressions about which elements of the Tribune’s business model might take hold in other settings, and which factors are less likely to translate outside of Texas.
The evolution of the Texas Tribune’s business model
The story of The Texas Tribune began in late 2006, when software investor John Thornton began researching how his Austin-based venture capital firm might profit by acquiring stakes in financially troubled newspapers. “This really started as a search for money,” Thornton told me in 2010 when I wrote an article about the Tribune’s early days for Columbia Journalism Review.

As Thornton dug into the news industry’s changing economics, he became convinced that public-interest journalism—which had been subsidized for decades by a now-vanishing system of mass media advertising—could not survive as a stand-alone product. His interest in journalism shifted from a potential business opportunity to a philanthropic pursuit. Observing the diminished presence of mainstream media outlets covering the state Capitol, he donated the first $1 million to start a nonpartisan news source whose mission would be “to promote civic engagement and discourse on public policy, politics, government, and other matters of statewide concern.” During the spring of 2009, Thornton formed an official corporation and quickly applied to the Internal Revenue Service for tax-exempt status, which was granted within months and, crucially, enabled the Tribune to raise funds as a public charity.

To lead the new venture, Thornton enlisted his friend Evan Smith—who, as the longtime editor of Texas Monthly magazine, brought deep connections within the state’s political, business and media circles. The pair teamed up with another veteran political journalist, Texas Weekly editor Ross Ramsey, and the three co-founders assembled a talented crew of young reporters and Web developers during the summer of 2009.

The Tribune then embarked on a remarkable fundraising spree to bolster Thornton’s initial $1 million. Boosted by the journalistic credibility of Smith, Ramsey and a cast of rising stars poached from legacy newsrooms, the fledgling nonprofit landed a flurry of five- and six-figure sums from an array of wealthy donors and foundations (including $250,000 from Knight Foundation). It also signed up more than 1,400 members who contributed at least $50 each, and around 60 corporate sponsors who pitched in at least $2,500 each. By the end of 2009, the Tribune had raised roughly $4 million.
THE EVOLUTION OF THE TEXAS TRIBUNE’S BUSINESS MODEL

Proving the concept during the ‘runway’ phase

The initial fundraising haul provided vital early breathing room for what Thornton called a two-year “runway” phase—a period during which the Tribune would need to prove the value of its journalism while figuring out its long-term business strategy.

Somewhat unexpectedly, the site’s early traffic magnet was its series of searchable databases, which allowed readers to easily snoop through government employees’ salaries, political campaign contributions, and state prison inmates’ convictions and sentences. The databases were controversial; some readers considered them an invasion of privacy even though they contained public information. But they were undeniably popular—at one point during the site’s first year, they were drawing three times as many page views as traditional news stories. And each curious click created more digital impressions for corporate sponsors’ messages.

Offline, the Tribune launched a series of events that expanded the site’s visibility. Tanya Erlach, hired from The New Yorker to serve as the Tribune’s full-time director of events, developed a morning event series featuring on-the-record interviews of high-profile political figures. These events—hosted by Smith, a skilled interviewer with his own PBS interview show—drew a strong following among political insiders, attracting crowds of as many as 300 people to a downtown ballroom directly across from the Tribune’s offices. And the events, underwritten by corporate sponsors, were free to attendees regardless of whether one was a Tribune member. In addition to the morning interview series, the Tribune brought road shows to college campuses across Texas and offered occasional screenings of political films.

Meanwhile, the Tribune’s journalism was gaining attention through a combination of shoe-leather beat reporting and buzzworthy experiments. The Tribune teamed up with the University of Texas for regular surveys and polls that, among other nuggets, revealed that nearly one-third of Texans thought that dinosaurs and humans once lived on Earth at the same time.

Multimedia reporter Elise Hu developed a series of irreverent fact-checking videos called “Stump Interrupted,” which went on to win a national Edward R. Murrow award. And in late 2010, less than a year after it launched, the Tribune received another prestigious national award, this time for general excellence from the Online News Association.

Financially, prospects were less certain. From the start, Thornton sought to wean the Tribune from philanthropic support as soon as possible. In an early brochure distributed to potential supporters in 2010, a bar chart labeled “The Texas Tribune’s path to self-sufficiency” predicted that within three to four years, the site would no longer require major gifts from donors and foundations. Instead, according to the chart, three equal revenue streams would sustain the Tribune: memberships, specialty publications, and corporate sponsors and events. However, it soon became clear that those three revenue categories were not developing quickly enough to keep the Tribune afloat.
During the latter half of 2010, the Tribune made a series of adjustments designed to ratchet up revenue. Thornton agreed to donate another $1 million—but this time, in the form of a matching grant that would kick in whenever the Tribune landed major donations of $5,000 or more. As Executive Editor Ross Ramsey recalled, “You’ve got to raise a million to get a million. The most important part was raising the million.”

Smith brought in a new director of business development, his former Texas Monthly colleague April Hinkle, who as the magazine’s publisher had more than two decades of experience selling advertising to the state’s corporate crowd. “He said, ’I want your for-profit brain for my nonprofit,’” Hinkle recalled. One of her first moves was to expand corporate sponsorships beyond the basic $2,500 level offered during the Tribune’s launch phase. Originally, Tribune sponsorships offered little more than a tax write-off and a rotating logo box on the site’s home page, but Hinkle began to develop more comprehensive programs that included event sponsorships, more visible logo placements and other customized elements for a higher price. Hinkle said her singular mission upon joining the nonprofit was “using all Tribune assets I could possibly get my hands on to create custom programs.”

Around the same time, the Tribune sought to boost membership revenue by introducing an “editor’s circle” program focused on securing multiyear pledges. The circle program, which requires a three-year commitment of up to $5,000 annually, created a stable pipeline of support. “It was really genius in a box in terms of revenue growth,” said Maggie Gilburg, the Tribune’s former director of development. And on the news side, the site struck a syndication deal to provide eight stories a week for The New York Times’s Texas editions.

These were all promising revenue developments, but by the end of 2010 the Tribune remained heavily dependent on philanthropic support. Nearly two-thirds of the Tribune’s $2.25 million in overall revenue that year came from individual donors and foundations, according to internal figures.1 Earned revenue—an industry term referring to self-generated income, such as corporate sponsorships and events—remained a much smaller part of the mix.

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1: Revenue figures cited in this report are drawn from internal budget comparisons used by Tribune managers to track year-by-year trends in revenue growth. These internal figures should not be confused with yearly financial reports to the IRS, also known as a Form 990, which are prepared according to Generally Accepted Accounting Principles. The Tribune’s internal figures deliberately exclude revenue associated with a large one-time foundation grant—for example, a $1.5 million grant from Knight Foundation in 2013—in the interest of providing consistent ongoing comparisons to previous years.
Two factors in 2011 helped the Tribune build more entrepreneurial momentum. During the spring, the
site for the first time covered a state legislative session, which in Texas convenes only once every two years.
Hinkle’s revamped sponsorship packages offered businesses and institutions a new, more targeted
option to get their messages in front of a politically savvy audience during the urgency of a session. Corporate
sponsorships more than doubled from $306,000 in 2010 to $637,000 in 2011, according to internal figures.

Perhaps more significantly, in September the site hosted its first Texas Tribune Festival, a weekend-
long bonanza for policy wonks that drew more than 1,300 attendees to the University of Texas campus. The festival—organized by events
director Erlach, who had run a similar festival for The New Yorker—featured big-name keynote
interviews and panel discussions, along with networking at cocktail receptions and trendy
food trucks. Ticket sales helped cover costs, but festival sponsorships accounted for the biggest
windfall. The festival, combined with more than 40 additional events throughout the year, pushed
annual event revenue to $702,000, more than tripling the total from the previous year.

In becoming an annual event, the festival grew even bigger in 2012, adding a Friday night
opening keynote interview with Gov. Rick Perry and offering 45 sessions and 150 speakers on
topics including health, race and criminal justice. Attendance climbed to nearly 1,700, and
sponsorships for the three-day festival totaled close to $400,000. “It’s just a real you-have-to-be-there vibe that we’ve been able to create,”
Erlach told me at the time. The growth of the festival pushed total yearly event revenue to
almost $900,000.

Also in 2012, the Tribune tallied enough major philanthropic donations to fully redeem
Thornton’s $1 million matching pledge. But earned revenue was beginning to drive the business model. That year, for the first time, revenue from corporate sponsorships and
events (together, roughly $1.9 million) surpassed major donations and grants ($1.8 million).
Memberships rose to $510,000, nearly equaling the total raised during the previous two years combined. After adding in syndication, subscriptions and other revenue sources, the Tribune hauled in more than $4.5 million overall.

The trend continued in 2013, as sponsorships and events each topped $1.1 million. The Texas Tribune Festival, a growing juggernaut, swelled
to nearly 2,500 attendees and produced more than $700,000 by itself. By the end of its fourth full year, the Tribune raked in a total of $5.1
million from a balanced assortment of revenue streams: 45 percent from sponsorships and
events, 34 percent from philanthropic sources, 13 percent from memberships, and 8 percent from syndication, subscriptions, crowdfunding and other sources.

It was a dramatically different financial formula from just three years earlier, when foundations
and wealthy donors supplied nearly two-thirds of the Tribune’s annual revenue. As it headed into 2014, the Tribune was earning more of its keep.
The corporate sponsors fueling the Tribune’s transformed business model—companies, lobbying firms, universities, advocacy groups—all have their own agendas at stake in the world of state government. While these sponsorships have accelerated the Tribune’s revenue growth, they also have triggered scrutiny from media watchdogs.

In February 2014, Austin-based political author Jim Moore, a former journalist, published a series of blog posts denouncing the Tribune’s financial model as fundamentally “corrupted.” “What believers hoped was going to be a watchdog has turned into a lapdog by taking big dollars from lobbyists and corporations,” declared a sub-headline introducing Moore’s initial post, “The Trouble with the Trib.” Commercial media, of course, have long battled similar perceptions that their news coverage was beholden to advertisers’ interests. But as veteran Texas journalist and professor Bill Minutaglio would later observe, Moore’s four-part attack underscored “how fine a line the brave new world of nonprofit journalism has to tread in the search for viable business models.”

The Tribune always has listed all financial contributors on its site, but the criticism from Moore and others accelerated a series of changes that editors already had been considering to improve transparency. Corporate sponsors would now be listed not only by name, but also by the specific amount of their sponsorships—a higher degree of disclosure than practiced by most, if not all, of the Tribune’s nonprofit peers. In addition, disclosures would be appended to every story, identifying any people or institutions mentioned who had given the Tribune more than $1,000. Also, event descriptions would include language to reinforce that sponsors “do not have any role in selecting topics, panels or panelists.”

A point often overlooked when discussing the ethics of fundraising for nonprofit news organizations is that, collectively, an expanding roster of corporate sponsors dilutes the ability of any single financial backer to wield undue influence. In one instance I watched unfold in the newsroom during the spring of 2014, Ramsey, the site’s co-founder and executive editor, agreed to moderate a corporate forum in Dallas in exchange for an honorarium to the Tribune. The week before the event, organizers sent the Tribune a list of 10 pre-scripted questions for the panelists. Ramsey objected, making clear that he would moderate only if he had discretion over the questions. “They wanted a paid performance, and we don’t do that,” Ramsey later told me. The company found another moderator, and the Tribune lost the honorarium. Both sides moved on. It’s just one example, but it highlights how diverse revenue...
streams and journalistic integrity can help protect a news organization from the whims of any particular financial supporter.

What may be more telling is whether demand for corporate sponsorships will remain strong as the Tribune makes a more **concerted push** to emphasize investigative reporting. During the summer of 2014, the Tribune published a series of stories documenting the **human and environmental** costs of the “Texas miracle” economy. Stories dutifully disclosed that some of the companies mentioned in the unflattering series were corporate backers of the Tribune. Will persistent “**TribInvestigates**” projects dampen enthusiasm for future sponsorships?

Another pressing challenge the Tribune faces is to widen its audience beyond affluent insiders. The Tribune’s media kit sketches out the demographics of a highly desirable readership: 96 percent voted in the last election, 91 percent graduated from college, and more than half live in a household with an income of at least $100,000. But does serving the needs of that privileged audience constitute sufficient impact for an organization whose mission is to promote political engagement throughout the entire state?

Conversely, is the site doing enough to monetize the diehard politicos who already read it every day? The Tribune spent much of 2014 focused on how to extract more revenue from its most loyal readers. It raised the subscription price for its insider political newsletter and paywalled blog, and it launched topical newsletters focused on water policy and education, with plans for more future single-subject coverage. It crafted an elaborate **audience research initiative** and hired a director of consumer marketing with corporate experience to dig deep on reader demographics and identify revenue opportunities. It created a sister op-ed site, **TribTalk**, whose content consists of volunteer submissions and clearly labeled “paid placement” posts authored by corporate sponsors.

But this new suite of products led to even more Catch-22 questions: Would the Tribune’s earned revenue keep rising, or would new offerings like TribTalk simply cannibalize money from existing sponsorships? At the individual level, would future revenue growth hinge more on premium subscriptions aimed at Austin insiders, or on ordinary Texans signing up for NPR-style memberships? Would expanding the Tribune’s readership lessen the appeal for sponsors looking for ways to reach an influential audience? And what role would philanthropy continue to play in the Tribune’s revenue mix? In late 2014, the site found itself wrestling with the same realization Thornton discovered years earlier when he first envisioned the Tribune: Public-interest journalism doesn’t pay for itself, so the search for money never ends.

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2: I **elaborated on this point** in an October 2014 interview with Nieman Journalism Lab: “I think strategically, the Tribune is at an interesting moment in: Do they want to expand the audience to more people or super-serve the core?”
Is the Texas Tribune model replicable?
The Texas Tribune’s revenue growth has drawn admiration throughout the journalism world, though many who marvel at the Tribune’s success question whether its model can translate beyond the Lone Star State. As Forbes writer Jeff Bercovici asked when he broke the news about the grant that funded this fellowship: “The question hanging over all this is: How possible will it prove for other start-ups to replicate this miracle?”

Part of the answer is that no news organization — startup, legacy or otherwise — should ever seek to wholly replicate another’s business model. The ideal revenue mix is always case-specific, depending on an organization’s mission, scope, geography and audience. Tom Glaisyer, program director at the Democracy Fund, captured this point at a recent conference: “I don’t think there’s going to be a model that’s going to be the answer,” Glaisyer said, explaining that he expects multiple models for success will emerge.

If there are generalizable lessons to be learned from the Tribune’s experience, they do not add up to a rigid recipe but rather a handful of strategic concepts that other news startups might consider applying in a way that makes sense to them. This much is clear: Among the past decade’s wave of nonprofit news startups, The Texas Tribune stands out as the most aggressively entrepreneurial. National outfits such as ProPublica, The Intercept and the Marshall Project started out with much more money and were spared from immediate pressure to drum up earned revenue. Smaller, local news nonprofits often lack the capacity to try new revenue experiments. “We don’t have time to do this, and we don’t know how,” one respondent wrote when the Pew Research Center surveyed news nonprofits in 2013.

The sheer scale of what the Tribune has achieved may not be replicable in the world of nonprofit news, at least at the regional and local level. But other news nonprofits may wish to emulate some of the tactics that have propelled its success. On Page 15, I have outlined key elements of the Tribune’s business model that are most—and least—likely to be mirrored elsewhere.
Factors that have uniquely benefited The Texas Tribune

A generous—but not too generous—founding investor
Venture capitalist John Thornton put up the initial $1 million to start the Tribune in 2009. But his second $1 million donation, coming a year later in the form of a matching grant, may have had a bigger impact because it drove home the blunt message that the Tribune needed to generate more of its own revenue to survive. Thornton continues to actively serve on the Tribune’s board but has not donated any additional money. “What John Thornton did that was so genius is provide enough runway and invest in talent, so that you could prove the concept and very quickly shift to a business model,” said Scott Lewis, CEO of Voice of San Diego. “I think his step was a legendary one in this business.” Still, it is more the exception than the rule to have a founding benefactor so adamantly focused on developing business capacity.

A charismatic CEO with a well-honed public presence
In Evan Smith, the longtime Texas Monthly editor and host of a public television interview show, the Tribune found a CEO and editor-in-chief with an unusual combination of personal charisma, journalistic experience and familiarity with the state’s network of philanthropic donors. As Thornton candidly told me in 2010, “I didn’t have any interest in doing this with anybody else.” Smith is comfortable in a variety of roles—interviewing the governor in front of hundreds of people; rallying Tribune supporters during a membership-drive happy hour; talking shop with political reporters in the newsroom; making “the ask” during private meetings with donors. It is rare to find a news executive, especially for a startup venture, who comes in with such a high profile and can navigate between these worlds so fluidly and effectively. That being said, certain elements of Smith’s role absolutely can be replicated by other news ventures, as will be explored in the next section.

The “bigger in Texas” effect
Texas is a vast, pro-business state whose 26 million residents share a distinct sense of cultural identity. The state is home to dozens of influential corporations, 52 of which are listed in the Fortune 500 and all of which have a stake in statewide politics and a budget for tax-deductible contributions. It also has plenty of deep-pocketed individual donors, with 41 Texans on the Forbes 400 list of richest Americans. And its state capital, Austin, happens to have a high density of young professionals (which provides a pipeline of tech and journalism talent), the state’s flagship university (which provides a steady supply of interns) and one of the world’s most prominent technology festivals (South by Southwest, which provides logistical assistance for the Texas Tribune Festival). None of these factors guarantees success, but there is little doubt the combination of these factors has helped the Tribune flourish in a way that few other settings can match.
Elements of the Tribune’s journey that can translate to other news ventures

**Persistent focus on revenue diversity**
From the outset, Thornton sought to establish multiple streams of revenue, a strategy he jokingly called "revenue promiscuity" during the Tribune’s early days. It’s worth noting, though, that the Tribune’s eventual mix of revenue sources took a different path from the initial vision of drawing equal support from only three revenue streams—memberships, specialty publications, and corporate sponsors and events. As it turns out, sponsorships are generating more money than the Tribune’s founders anticipated, while memberships and specialty publications have been slower to develop. Philanthropy continues to play a crucial role, and new sources of revenue (crowdfunding, for example) have emerged. The percentages will change, but the Tribune’s experience emphasizes the importance of constantly seeking a diverse mix of revenue sources. News ventures that allow themselves to remain dependent on one or two streams of income are leaving themselves dangerously vulnerable.

**Entrepreneurial creativity and customization**
The Tribune has been relentless in unearthing new ways to pay for its journalism. Consider one example: Virtually every mainstream American news site has a box near the bottom of its home page listing the most-read, most-shared and most-commented stories of the day. Most news organizations treat that box as an algorithm-powered afterthought. Not the Tribune: It offers a sponsorship for its most-read box that sells for $2,500 per month. The Tribune’s media kit contains numerous such examples of entrepreneurial creativity: a sponsored widget where editors curate wire stories; sponsored breaking news alerts; newsletter sponsorships. Hinkle, the Tribune’s chief revenue officer, said she considers the media kit to be more of a conversation starter than a take-it-or-leave-it menu. She works with prospective sponsors to develop customized packages—sometimes including event sponsorships—that suit the sponsor’s needs. "Every single thing really becomes custom," Hinkle said. "I don’t think we would be as successful today if we weren’t willing to be flexible. … People invest in what they need, and not what we want them to buy."

**A knack for converting local sensibilities into revenue**
A three-day pass to the Texas Tribune Festival already costs around $200, depending on when it is purchased, but local residents are used to paying even more for bigger festivals like Austin City Limits or South by Southwest. And for its 2014 festival, the Tribune added an even pricier option: For an extra $250, attendees could skip the notoriously long lines at Franklin Barbecue, Austin’s hippest hub for carnivores, and share a brisket-and-beer dinner with MSNBC TV host Chris Hayes. For the festival’s politicos, it represented a quintessential "only in Austin" opportunity. Those specific conditions cannot be replicated anywhere else, but the "only in ___" premise can. In April 2014, MinnPost’s annual variety show, MinnRoast, raised more than $150,000 for a night of skits and songs lampooning the state’s politicians at a historic theater in downtown Minneapolis. Only in Minnesota. And in outdoorsy Vermont, political news site VTdigger.org enticed readers to join its summer 2014 membership drive by offering sponsored prizes including a bike and a delivery of compost. Only in Vermont.
A tireless champion and fundraiser-in-chief

Of course you can’t clone Evan Smith’s personality, visibility and connections. Those factors have helped the Tribune immensely, but they were not sufficient to ensure its continued growth. Any successful news nonprofit needs a champion, “somebody who’s just going around town, always selling, always explaining the purpose, always articulating new and different ways to understand what you’re trying to achieve,” said Scott Lewis, who serves that role for Voice of San Diego. For the Tribune, Smith continues to host most events and masterminds the festival in tandem with his business-side lieutenants. He peppers the newsroom with crack-of-dawn emails, oh-by-the-way tips, and eleventh-hour feedback. But perhaps most significantly for the bottom line, he constantly travels throughout the state on fundraising missions, using the Tribune’s own campaign finance databases to identify potential donors before arranging visits to their homes and offices to make his pitch. Anne Galloway, the editor and executive director of VTDigger.org, can relate to the all-consuming commitment it takes to keep a news nonprofit alive. Galloway, a veteran desk editor who started VTDigger in 2009 with no fundraising experience, admits that she used to be “terrified” to ask people for money but learned to get over it. “You have to be prepared to work a lot—like, 60 to 80 hours a week,” Galloway said. “From the beginning, if you’re going to make it work, you have to embrace the business side. You have to understand that the journalism is super-important, but you can’t do it without money eventually.” Ramsey, the Tribune’s executive editor, acknowledged that budding news ventures in search of leadership “are not necessarily going to find an Evan Smith. But you can find your version of him.”

A shared sense of editorial and business mission

The Tribune’s organizational culture fosters collaboration between the editorial and business staffs, in contrast to the church-versus-state model followed by legacy media. Reporters and editors host and moderate panels during events, especially the annual festival, and are encouraged (but not required) to promote membership drives on their own social media accounts. Business-side employees sit in on weekly news meetings for a better understanding of what the newsroom is up to. When the Tribune launched TribTalk in 2014, staffers from several departments—news, art, tech and business—worked together for months to design a site that would clearly distinguish between volunteer guest columns and “paid placement” advertorials. Over time, the newsroom and business side have developed a mutual sense of trust underpinned by the Tribune’s nonprofit mission. “My first year here, I tiptoed through the newsroom,” Hinkle said. “But I think we’ve kind of grown together.”
Best practices in revenue strategies for nonprofit news
Best practices in revenue strategies for nonprofit news


An occasional series on the blog, “Brass Tacks,” analyzed some of the specific revenue strategies that have worked for The Texas Tribune. Other posts explored similar strategies practiced by the Tribune’s nonprofit news peers across the country. Even more strategies emerged during a series of breakout groups at the Digital News Revenue Summit in April 2014 and again at the INN@IRE Revenue Lightning Round in June 2014.

This portion of the report draws from my fellowship blog posts, as well as previously unpublished material, to summarize best practices in each of the five main revenue streams propelling nonprofit news. The original, more detailed accounts of these individual strategies can be viewed in full at http://news-biz.org.
Sponsorships and underwriting

One way to subsidize nonprofit journalism is by courting corporate and institutional sponsors seeking an influential audience. The Texas Tribune is widely regarded as a standout performer in this area—in 2013 and again in 2014, the Tribune generated more than $2 million through corporate underwriting and sponsored events—but many other news nonprofits are pursuing similar strategies. The next section will consider event revenue strategies, but here are some general sponsorship principles as practiced by the Tribune and several of its peers.

Know your audience and sell its value

Nonprofit, mission-driven news organizations are uniquely positioned to connect sponsors with an educated and engaged audience. But to convert audience attention into sponsorship revenue, potential sponsors need evidence to be convinced that a site’s readership is worth their money.

In May 2012, The Texas Tribune conducted an audience identification survey that drew 872 responses in two days. The site found out that 91 percent of its readers are college graduates, 96 percent voted in the last election, and 52 percent have a household income of more than $100,000. That’s a smart, affluent audience that appeals to potential sponsors and advertisers, so the Tribune trumpeted the survey’s results in its media kit. “It’s a very specific kind of audience, definite intellectuals,” said Hilarie Houghton, executive communications consultant for BlueCross BlueShield of Texas, which has spent more than $300,000 on Tribune sponsorships, including the Texas Tribune Festival.

VTDigger.org conducted a similar audience survey that quickly attracted more sponsors to the Vermont political news site. By the end of 2013, corporate underwriting had risen to more than 40 percent of VTDigger.org’s annual revenue. “It’s made a huge difference for us, because we’re able to show sponsors that our readers are very civically engaged,” said Galloway, noting that the survey found her site’s readers “are involved in their communities on many different levels—they’re churchgoers, they’re volunteers at schools, they’re very politically active. More than 95 percent of them vote every year.”
**Provide ways for sponsors to make fuller arguments**

In Southern California, nonprofit organizations wanting to reach the Voice of San Diego’s civic-minded audience have long raised doubts that a banner ad could effectively get their point across. “It wasn’t enough space for them to really explain and educate people about their mission,” said Mary Walter-Brown, Voice of San Diego’s vice president of advancement and engagement.

So in 2014, San Diego’s pioneering online news startup quietly debuted a native advertising program aimed at fellow nonprofits. The program, called Partner Voices, publishes article-length “partner promos” that are paid for either by the nonprofits themselves or on their behalf by a corporate sponsor. Voice of San Diego’s editorial staff has no role in producing the promos, which carry a monthly fee of $1,500 and are clearly labeled as sponsored content.

Voice of San Diego is one of several nonprofit news outlets to recently join the wider media world’s adoption of sponsored content, also called native advertising. Display ads are confined by the boundaries of the box, but sponsored content allows advertisers more room to make their case—an intriguing option for policy-minded organizations whose arguments and causes are difficult to boil down to a snappy slogan.

Making fuller arguments to an influential audience is a key selling point for The Texas Tribune’s op-ed site, TribTalk, which launched in 2014 and offers “paid placement” slots to corporate sponsors. The Tribune charges $2,500 for a three-day run on the TribTalk.org home page, although permalinks for sponsored content stay up indefinitely. Hinkle said she pitches TribTalk’s paid placement as an opportunity “for thought-leading organizations to be able to post and lead a discussion” beyond what banner ads can provide.

**Sell your mission—and stay true to it**

News nonprofits generally can’t compete with the online traffic of mainstream media. But in the absence of volume, a nonprofit’s mission can be its most persuasive selling point, as David Fritze, executive editor of Oklahoma Watch, told a working group at the Digital News Revenue Summit. If page views and event attendance aren’t likely to sway corporate sponsors, Fritze said, a news nonprofit’s best bet is to sell the importance of its mission, which at Oklahoma Watch is “to dig beneath the surface of issues of public importance, provide insightful analysis and reveal surprising trends, facts, issues, underlying causes and possible solutions.”

When tapping into new revenue sources like native advertising, it is crucial for nonprofit news outlets to clearly explain how such initiatives support their mission, said Kevin Davis, CEO and executive director of Institute for Nonprofit News. “Make very clear what type of organization you are and why you’re doing this, because there is a different level of scrutiny for nonprofits,” Davis said. “Go to the ends of the earth to say, ‘We are a nonprofit, we are mission-driven, and this is an authentic way of furthering the mission—not just making money.’”
Live events have emerged as an increasingly popular revenue stream for both nonprofit and for-profit news outlets. In 2013, The Texas Tribune hosted more than 60 events, generating more than $1 million while also building community and creating a library of video news content for its site. Here are some of the common event practices followed by the Tribune and many of its peers.

Seek out corporate sponsors
You don’t have to sell tickets to make money from events. In fact, nearly all Tribune events, other than its three-day festival, are free to attendees. Pitch the event to corporate sponsors as a way to get their name in front of an influential audience. Underwriters, advertisers or donors who already support your site are a logical place to start, because your organizations already have a relationship. And think early, because corporate budgets tend to be planned months in advance. Keep in mind, however, that sponsors may be more interested in sponsoring a series than a single event. “It’s much harder to go to someone and say, ‘This is a one-off,’” said Erlach, the Tribune’s founding director of events. “Their brand lives on if it’s over and over again.”

When determining sponsorship rates, Hinkle recommends first sketching out a tentative profit and loss report that factors in the event’s costs, likely attendance and potential revenue. If, like the Tribune, you promote the event in advance and publish video or audio afterward, be sure to factor that into the calculations. Hinkle said the Tribune’s event sponsorships range from $3,000 for a single event to six-figure amounts for a series of events that include custom topics. And before you book a pricey hotel ballroom, explore a partnership with a local university, museum or nonprofit organization that might be willing to provide space for the event.
Build in a networking element

Any successful event needs a compelling program, of course. But networking might be an even bigger draw. And for sponsors, Hinkle said, having the opportunity to invite clients and VIPs is an added plus. “You just have to make it so they have to be there—this is a can’t-miss, it’s a must-attend on their calendar,” she said. Also, make every effort to gather attendees’ contact information, whether through RSVPs or a simple box at the check-in table to drop off business cards. “If you can get an email address from somebody that’s already showed up, that’s your repeat customer,” Erlach said.

Consider virtual events, too

NJ Spotlight, a political news nonprofit in New Jersey, generates most of its earned revenue through a series of in-person roundtable events. But the site collected an extra $20,000 in 2013 by hosting three sponsored webinars on the topics of offshore wind power, electricity and health care. Kevin Harold, NJ Spotlight’s publisher, said the webinar format works best for a sponsor looking to make its case on a complex state policy issue that “begs a platform to get into the granular nature of it.”

A reporter or editor moderates each webinar, which lasts about an hour. Sponsors present a slideshow, then answer questions posed by the moderator or the virtual, real-time audience. The pitch to sponsors, Harold said, goes something like this: “You have a content-rich story to tell; we have an independent flag. We will challenge you on things that you say, but we’ll give you a platform to say them.”

Don’t be afraid to monetize the fun factor

For eight years running, the pioneering nonprofit news site MinnPost has hosted an annual variety show called MinnRoast, during which the state’s politicians and journalists “gently skewer” one another through songs, skits and standup comedy. In 2014, the event drew nearly 1,400 attendees to a historic theater in downtown Minneapolis, raising roughly $160,000.

Joel Kramer, MinnPost’s CEO and editor, noted that the Twin Cities region is saturated with serious events run by Minnesota Public Radio, the Citizens League, the University of Minnesota’s Humphrey School of Public Affairs and other civic-minded organizations. From a strategic standpoint, Kramer said, MinnPost thought a fun-themed event had a better chance to attract sponsors and ticket sales than more strait-laced affairs. “You’ve got to find a spot that’s empty, that’s open,” he said. “And nobody was doing it ... Most events in town are very serious. They talk about the mission, you know, they all have a silent auction. I go to many of them, and I believe in the causes, and we donate money. But they’re a bit on the somber side. So we wanted to distinguish ourselves in that way.”
Memberships remain an important part of the revenue mix for nonprofit media. The Texas Tribune tallied $668,642 in membership revenue in 2013, a 31 percent jump over the previous year. In 2013, about 2,700 people joined or renewed their Tribune memberships, with a renewal rate of 70 percent. Running an effective membership program is a complex, never-ending endeavor, but here are some core strategies that have helped produce success for the Tribune and others.

**Define “the ask”**

Are you asking people to join primarily based on benefits they will receive, or is their membership simply a vote of confidence in your mission? The Tribune offers modest benefits ranging from monthly newsletter updates to invitations to VIP events, but its membership strategy focuses on selling the value of the Tribune’s public-service journalism. “It’s really a philosophical ask: Please support our mission at the level that’s most comfortable for you,” said Gilburg, the Tribune’s former director of development.

InvestigateWest, a nonprofit news site based in Seattle, entices supporters to upgrade their memberships by offering tiered benefits including an annual print journal for members who join the $250-per-year “Deadline Club.” For $500, members can join the “Exposé Club,” which includes an annual VIP reception as well as dinner with a writer or editor.

**Plan ahead**

Natalie Choate, the Tribune’s director of media relations and partnerships, used to be assistant director for consumer revenue and memberships. In her former position, she would begin preparations for membership drives months ahead of time. After settling on a campaign theme, she would craft messages catered to live modes of delivery: email, social media, direct mail, the site itself, and membership events. (Email tends to be most effective, because people on distribution lists have shown some form of previous support or interest in the Tribune.) Choate said it’s important to seek buy-in from the entire organization, from department heads to designers to the newsroom. She would invite employees to membership happy hours and circulate prewritten social media statuses that staffers could share.

The Maine Center for Public Interest Reporting begins formal preparations for its end-of-year fundraising drive in August, according to publisher Naomi Schalit. By October, board members are jotting down personalized notes on appeal letters, which go out in late October and early November to allow time for follow-up before the year concludes.
Push for automatic or multiyear pledges
The Tribune only recently configured its standard membership program to recurring payments (annual or monthly) rather than one-time donations. But its “editor’s circle” program, which asks supporters to pledge up to $5,000 annually for three years, has proven to be a substantial revenue source. The program began in the summer of 2010 and, by the end of 2013, had grown to produce $354,500 in annual contributions from 173 members.

Evaluate the returns
Cultivating and maintaining a membership base is an “exceptionally large task,” Choate said. For some nonprofit news organizations, the costs to staff, promote and maintain a membership program may not be worth the effort. It’s important to weigh the expenses against the returns. “If you hire a person for X, and they bring in less than X, then it’s not worth it,” Gilburg said. “There are intangibles that are not bottom-line benefits, but it’s definitely an investment.”
As noted earlier, the Texas Tribune’s original goal to eliminate reliance on philanthropic donations within five years was overly optimistic. Even as the Tribune and its peers generate more of their own revenue through sponsorships, events and other sources, philanthropy remains critical to the survival of nonprofit news. “The fact is, there’s not a business model—definitely for nonprofits—without donations,” said Brant Houston, board chair of Institute for Nonprofit News and Knight chair of investigative journalism at the University of Illinois.

To date, Knight Foundation is the Tribune’s single largest source of financial support, granting more than $2.25 million since 2009. The Ford Foundation, Kaiser Health News and several family foundations also have made substantial donations to the Tribune in recent years to fund targeted coverage of certain topics.

Foundation funding largely depends on carefully maintained relationships and meeting the guidelines of specific grant programs. When it comes to seeking major donations, here are a few common practices followed by the Tribune and other nonprofit news outlets.

**Cultivate your community’s network of business leaders**

This is especially important in the initial phases. The Tribune’s initial $4 million fundraising campaign included a bipartisan list of high-profile donors, which brought the Tribune credibility while also funding its early operations. MinnPost’s Joel Kramer said aspiring news entrepreneurs often focus entirely on the journalism, underestimating how important it is to recruit local business leaders to back their venture. “You do need connections in the community—and I’m talking now about business, revenue-side connections, not journalism connections,” he said.

**Persuade existing members to give more**

Once your news organization has established a track record, your next major donor may come from your own membership roster. The Tribune makes a habit of identifying existing members who may be willing to move up to a major donation. “We’re developing a donor base, and we’ll move those people down the line,” Gilburg said. “From their earliest contribution, the connection deepens.”

**Use donations to develop long-term sustainability**

Philanthropic donations probably always will constitute at least some part of the revenue mix for nonprofit news. But ideally, each grant or donation can help a news organization build business capacity that makes it more self-reliant. “As we got grant money in, we never saw that as a long-term proposition,” said VTDigger’s Galloway. “We saw it as, essentially, like venture capital—a way to get a certain distance with our project to attract a certain number of readers so we could get to a point that we could launch a strong membership campaign and attract enough underwriting to reach a level of sustainability.”
Four principal revenue streams dominate today’s landscape of nonprofit news: philanthropy, memberships, corporate sponsorships and events. But beyond that quartet, a number of supplementary revenue streams also offer promise. Here are three areas where the Tribune and other nonprofit news organizations are generating some extra dollars:

**Syndication**

The Tribune brought in slightly more than $190,000 in syndication revenue in 2013. Most of that revenue came from its partnership with The New York Times, an alliance that ended in late 2014 when the Times discontinued the twice-weekly, two-page Texas edition produced by the Tribune. However, the Tribune also has other syndication clients, including a textbook publisher. (The site’s daily news content is offered for free to news organizations throughout Texas.) And as the Times partnership ended, the Tribune announced a new agreement with The Washington Post to share content and collaborate on events and marketing.

The California-based Center for Investigative Reporting charges a yearly flat fee for the rights to republish its stories and videos. But when it comes to particular projects, syndication fees are determined according to a sliding scale based on audience size, platforms used (print, TV, online) and whether a syndication partner contributed editorial resources. “We have to kind of tailor it to the partner,” said Meghann Farnsworth, CIR’s director of distribution and engagement.

**Crowdfunding**

During the fall of 2013, the Tribune’s inaugural Kickstarter campaign—for equipment to stream live video coverage of the 2014 Texas governor’s race—tallied $65,310, plus a matching pledge of $10,000 from Knight Foundation and $10,500 in checks. Rodney Gibbs, the Tribune’s chief innovation officer, said the campaign succeeded largely because it had a clear, focused call to action that was amplified on social media by employees and supporters.

Eight months later, fellow nonprofit San Francisco Public Press launched a Kickstarter campaign that used similar tactics to more than triple its original goal of $10,000 to expand its citywide network of bicycles to distribute the print edition of its newspaper.
Monetizing data sets

More news organizations are discovering that cleaned-up, searchable databases have extra value beyond their journalistic utility—and, better yet, can generate revenue to support even more public-interest reporting. In February 2014, ProPublica unveiled its Data Store, offering both free and premium data sets to journalists, researchers and corporate clients. Roughly four months in, the premium data sets had generated well over $30,000 in revenue, said Richard Tofel, ProPublica’s president.

Another way to capture value from databases is to monetize attention, as The Texas Tribune has done since 2011 by attaching Google microsurveys to its more popular data apps. Tribune visitors who aren’t logged on to the site must first complete a short consumer survey before they can view the details of a state employee’s salary or a prison inmate’s conviction. The microsurveys—which earn the Tribune a nickel for each question answered—don’t pop up on data projects already funded by a specific grant, such as the Public Schools Explorer. But by attaching the surveys to click-magnet databases including government employee salaries and prison inmates, the Tribune collects thousands of dollars in monthly revenue (in June 2014, survey revenue added up to $17,565).

However you capture its value, data journalism clearly has worth beyond its primary investigative purpose. That’s something news outlets of all stripes should keep in mind as they search for diverse revenue streams to ensure their long-term survival.
Conclusion

During the year I spent at The Texas Tribune, I found that in many ways it functions much like any metropolitan newsroom: Reporters spar on the phone with state agencies over public records requests, interns hustle to churn out quick daily stories, editors bug reporters about deadlines while shuffling between meetings.

But perhaps more than any other nonprofit news startup, the Tribune aggressively and unapologetically operates at all levels as a mission-driven business. News, art and tech staffers are mindful that their livelihoods depend on successful events and membership drives, so they actively promote the Tribune in person and on social media. Business staffers tout the Tribune’s editorial content when making their pitch to potential sponsors, donors and members. It’s a bold, self-promotional mindset that sometimes borders on overconfidence, but it stems from an understanding throughout the organization that, ultimately, to stay in business and carry out its public-interest mission, the Tribune needs more revenue.

Perhaps more than any other nonprofit news startup, the Tribune aggressively and unapologetically operates at all levels as a mission-driven business.

This shared sense of purpose is important, because digital news startups need proactive financial strategies if they hope to survive. Another nonprofit news startup, the Chicago News Cooperative, shut down operations in 2012—partly because it failed to develop business capacity that could sustain its excellent journalism. "I think that was one of my mistakes, was not to invest in business management," editor and founder James O’Shea told me in an interview, candidly admitting that he had overspent on journalism. "We’ve come to a point in journalism where the business side and the editorial side are much more one than they used to be," O’Shea continued. "Journalists have kind of got to get with it and understand that, and begin practicing that and exercising their judgment in a way that really makes sure that if it’s going to be done, it’s done right and it’s done under sound journalistic principles.”

For decades during the era of legacy media, the traditional church-state separation between editorial and business departments allowed journalists to insulate themselves from the financial realities of their profession. Today’s journalists cannot afford to subscribe to that worldview, but they still must behave transparently and ethically to maintain trust with the public. From my vantage point, The Texas Tribune appears to be capably navigating that delicate balance as it faces change head-on.
Appendix: Readings and resources


CJET: Community Journalism Executive Training, online courses developed by the Institute for Nonprofit News. Available at http://newstraining.org

Digital News Revenue Summit, event agenda, slide presentations, video and working group summaries, April 2014. Available at http://news-biz.org/newsrev


INN@IRE Lightning Round: 6 Experiments to Drive Revenue, slide presentations, June 2014. Available at http://j.mp/innday14


