

An illustration on a purple background showing three stylized figures interacting with various digital devices. On the left, a person in a red dress climbs a blue ladder to reach a screen displaying a white line graph with an upward arrow. In the center, a person in a blue shirt stands next to a large computer monitor showing a webpage layout with a 'SUBSCRIBE' button and a smaller line graph. On the right, a person in a purple top and white pants stands next to a smartphone displaying a yellow screen. In the background, there are more screens, a cloud with a dashed line, and a speech bubble icon.

JOURNALISM, REVENUE MODELS AND SOCIAL MEDIA ALGORITHMS

Module 5

WHY THIS TOPIC MATTERS

Becoming aware of where funding comes from can arm consumers with the ability to choose our news sources wisely.

Recognizing that new organizations are businesses reveals important motivations that may explain why the news is the way it is.

Media conglomerates dominate much of the market and have a heavy-hand in the content that reaches us.

FUNDING JOURNALISM

At the end of the day, a news organization is a [business](#). Businesses employ people, and employees expect paychecks for the work they do. Journalists are no exception. All news organizations must receive funding to provide those paychecks. Because this is the reality, it is important to realize that every form of funding, however well-meaning, shapes the kind of journalism that gets done. No matter how pure the motive, [ownership unavoidably influences the way a newsroom functions](#).

Pressure from media owners, whether implicit or explicit, can lead to ethical problems for journalists who are torn between keeping their jobs and fulfilling their journalistic responsibilities. A [recent report](#) from the University of East Anglia in the UK found that “funding from foundations does change the way reporting is done, the issues that non-profit media organizations decide to focus on, and the amount and content of that work.” Knowing that [there is a direct impact from funding](#) makes it vital to understand who is providing financial support for any given news outlet.

REVENUE MODELS

An excellent starting point for identifying who funds the news is learning about different revenue models used in media companies. The traditional and [most commonly used model](#) relies on profit from advertising to stay afloat. It's simple enough: Advertisers who wish to promote the products they are selling pay the media outlets, who in turn place ads among their news content.

This model is beneficial to both the advertised and the advertiser. Consumers can access content at no cost thanks to the profit generated from advertising, which means that the advertisements reach a larger audience.

Traditional, ad-driven revenue models are usually



Figure 8.1 Journalism revenue models. 1) Ad Based 2) Subscription 3) Government funded 4) Non-profit

[adopted by media outlets](#) who can't cover their entire costs by selling their content alone, or would have little to no audience if they charged (or charged more) for their product.

Subscriptions are another revenue model that enable media companies to remain profitable. The model generates revenue by charging customers a recurring fee that is processed at regular intervals. It is best suited for outlets who produce content unique enough that consumers [can't find it through free resources](#). For example, people are less likely to subscribe to a newspaper if they know Google will send them notifications any time a major event occurs. The key to success is to offer [high-value content for a low ongoing investment](#). This model relies on long-term relationships with their customers, who they count on to renew their subscription year after year.

In some cases, the government will provide funding for media outlets. Federal funding for public media is apportioned and distributed on an annual basis. Lyndon B. Johnson was the father of this revenue model for public media, creating the [Corporation for Public Broadcasting in 1967](#). This is when the United States started setting aside government funds for television and radio programming.

Though there was a time when government funding covered entire costs for some media outlets, eventually it became only a piece of the financial puzzle. Nowadays federal funding for public media occupies [less than 0.01% of the federal budget](#). While government funding certainly helps, it often isn't enough to sustain media outlets in the 21st century.

Some believe that the decline of this revenue model is for the best. They speculate that government ownership of media has a compromising effect. The [Foundation for Economic Freedom](#) wrote that, "with public ownership or subsidization, the stations lose their independence when it comes to critically analyzing a government's

policies. The director of the [Tow-Knight Center for Entrepreneurial Journalism](#) expressed the following concern: "To accept funding from government, no matter the alleged safeguards, puts us at risk of mortal conflict of interest. Whom do we serve then? Need I say it? Follow the money."

About [59% of hospitals are private nonprofits, and 90% of college students study at nonprofit or public institutions](#). If it can work for these organizations, why not the media as well? The nonprofit revenue model for media outlets has been pitched as a way for media to focus less on producing a profit and more on producing quality content. It relies on the generosity of donors who likely hold an altruistic view of what journalism can be for the public. America has already seen several successful nonprofit news organizations, including [NPR](#), [ProPublica](#), and the [Associated Press](#).

One critique of this model is that the need to garner financial support year after year still persists, putting nonprofits [under the same pressures as for-profit entities](#). Furthermore, large nonprofits often have an easier time obtaining necessary funds than smaller nonprofits. The [Institute for Nonprofit News](#) found that "large donations by rich philanthropists and foundations generally have benefited only a handful of new startups and nationally focused nonprofit media."

CONGLOMERATE INFLUENCE

A [media conglomerate](#) is "a company that owns large numbers of companies in various mass media including television, radio and publishing." In the 21st century, the market is dominated by a handful of media conglomerates known as "[The Big Six](#)" - Disney, National Amusements, Comcast, Sony, TimeWarner, and NewCorps. Together they own about [\\$430 billion dollars](#) in assets and counting. With so many sources of media in the world today, it is incredible to consider that the majority of them come from one of six sources.

COMPANIES THAT FOLLOW EACH REVENUE MODEL



Ad-based/traditional model

[BuzzFeed](#)
[The Daily Beast](#)



Subscription model

[New York Times](#)
[Washington Post](#)



Non-profit model

[National Public Radio \(NPR\)](#)
[Associated Press](#)



Government funding model

[Xinhua News Agency](#)
[China News Service](#)

*Note: Many organizations, including those mentioned above, use a combination of revenue models to achieve financial stability.

[In fact, 90% of them can be traced back to the same few companies.](#)

Unsurprisingly, the consolidation of countless companies has major implications for the media and its consumers. [A 2019 study shows](#) that one of the consequences is that local stations focus more on national politics at the expense of local politics. In fact, media conglomerates are credited with the decline of local news in general. Another concern is that with only a select number of people pulling the strings, [the news becomes less diverse](#) in the voices it represents and stories it tells.

CONCLUSION

Even though funding alters the way journalism is done, being aware of where funds come from can arm us, the consumers, with the ability to choose our news wisely. Understanding some of the most common revenue models used by media companies is a crucial part of this empowerment. It is also important for us to realize that the consolidation of media companies, leading to massive conglomerates, impacts the content produced by media outlets.



**JOURNALISM
RESEARCH AND
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PROJECT**