



Crowdfunded Journalism: Meaning, Methods, Cases and Concerns

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Abstract

The global digital revolution driven by the internet and the World Wide Web has made room for many innovations including crowdfunding. And as this phenomenon spreads to the mass media industry, there is yet inadequate research done to explain the concept and the methods as well as highlight the cases and the growing concerns. This, essay, therefore, focuses on the meaning, methods, cases and concerns arising from crowdfunded Journalism. Through extensive literature search, six crowdfunding processes, eight cases and 12 classes of concern were identified. The paper highlights the emerging role of digital media in addressing changing aspects of Media Economics such as funding, ownership and control, especially in media industries seriously challenged by the digital revolution.

Keywords: Crowdfunding, Journalism, Nigeria,

Introduction

Crowdfunding essentially involves efforts by individuals, firms and groups to fund their ventures or projects by drawing relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries (Mollick, 2014). The last twenty years has witnessed a rise in this type of funding. And as media companies and professionals increasingly benefit from crowdfunding, some media scholars have linked this development to the increase





in the number of privately owned media businesses and firms which are without steady sources of funding, whereas others associate it with entrepreneurs that lack visibility but wish to be visible and successful (Konhäusner, Thielmann, Câmpian and Dabija, 2021). In recent times, newspapers, magazines, radio and television firms and producers have leveraged on this source to raise funds for journalism publications and projects.

In response to the upsurge, Reuters described crowdfunding as a small but growing boost to journalism, "with funds raised soaring to \$1.7 million in the first nine months of 2015". Over 200 journalism projects had benefitted from this innovation by 2017, and funded projects have been quite diverse in their themes and focus (Simpson, 2016). This chapter sets out to explain the meaning, methods, cases and concerns generated by crowdfunding in the mass media industry.

Meaning of crowdfunding

The term crowdfunding, first coined in a blog post by Michael Sullivan in 2006, has its roots in charitable donations (Castelluccio, 2012), but it is now used to support projects as diverse as record albums, books, ecology trips, scientific research (Aitamurto, 2011, Gaggioli, 2013), veteran's causes (Brady, 2013), and college tuition ("Start me up", 2013).

Crowdfunding, according to Hossain and Oparaocha (2017) is defined as an internet-based funding method for the realization of an initiative through online distributed contributions and micro-sponsorships in the form of pledges of small monetary amounts by a large pool of people within a limited timeframe. It is the funding of a task, idea, or project through an open call for funds, primarily using Web 2.0 technology, so that funders can give, pre-purchase the product, lend, or invest based on their confidence in an appeal, the promise of its originator, or the anticipation of a return.

Belleflamme, Lambert, and Schwienbacher (2013) stated that crowdfunding involves an open call, mostly through the Internet, for the provision of financial resources either in the form of donation or in exchange for the future product or some form of reward to support initiatives for specific purposes. Bouncken et al, (2015) stated that crowdfunding focuses on raising financial funding from the public, represented by a group of people, by using specific internet-based platforms. The common theme running through the above definitions



is the use of the internet to raise funds from individuals around the globe.

It is a new phenomenon that is of great interest to both academics and industry professionals, mainly due to its attractiveness as an alternative source of funding. However, in reality, as crowdfunding has grown exponentially, so are the challenges and opportunities it offers. In addition, crowdfunding in itself is a real financing alternative, which can promote social and economic development. It is mainly for start-ups, small businesses, cooperatives, associations, and any other economic institution that is finding it difficult to raise funds in the early stages of often described by banks as risky and complex. The development of modern internet facilities has aroused the interest of the investors because it increases the involvement of many crowd-funders. It breaks the barriers of geographic dispersion of the investors and saves time and cost in making investments.

Types of Crowdfunding: Crowdfunding can be divided into two classes: commercial and philanthropic crowdfunding. Depending on the business idea or project, a funder may want a return on the fund or he may not. Based on the type of reward, Lambert and Schvienbacher (2010) classify crowdfunding into three categories: donation, active investment, and passive investment. Haas, et al. (2014) proposed that there are three basic sorts of crowdfunding, namely hedonistic, charitable or altruistic, and commercial crowdfunding. Hedonistic crowdfunding is a type of crowdfunding in which supporters contribute money to original and creative projects and products. In order to create "a hedonistic value," these networks frequently require minimum payments and commitments. These types of crowdfunding websites include Indiegogo and Kickstarter. In the altruism-type of crowdfunding, donations are the most popular form of financial assistance for charitable endeavors. Backers fund programmes like these for solely philanthropic reasons. Crowdrise and Kiva are two common platforms. A crowdfunding type with a profit-oriented promise focuses on financing startups and granting of consumer credits. In return, the backers are offered monetary benefits. Crowdfunding, according to Massolution (2012) is categorised into four different categories: Lending-based Crowdfunding, Donation-based Crowdfunding, Reward-based Crowdfunding, and Equity-based Crowdfunding.

Lending-based Crowdfunding: This is designed to appeal to the crowd that contributes money in exchange for interest, much like a bank. Banks have recognized this subset of crowdfunding as a means of



attracting new clients because lending-based crowdfunding is similar to banks disbursing loans.

Donation-based Crowdfunding: Similar to offline one-to-one contributions, donors pay money with no expectation of receiving anything in return.

Reward-based Crowdfunding: This is a popular pre-selling or pre-ordering strategy for new ideas and items. Supporters of a project obtain tangible or intangible advantages in exchange for their financial support. For instance, a meeting with management, receiving the completed product, etc.).

Equity Crowdfunding: This is the online offering of private company securities to a group of people for investments and, therefore, it is conducted through the capital markets. It involves investment into a commercial enterprise, and it is often subject to securities and financial regulations. Investors give money to a business and receive ownership of a small piece of that business, if the business succeeds, then its value goes up as well as the value of a share in that business. The goal of equity-based crowdfunding is the long-term relationship between the supporter and the campaigner. The supporter has direct contact with the management and participates in the future profits of the company. Ideally, the supporter becomes an ambassador for the vision of the company or project. In all the crowdfunding categories, the supporters risk the loss of the investment if the campaign runner's project or business fails after a successfully conducted crowdfunding campaign.

The Rise of Crowdfunding in Journalism: The traditional business models in journalism are changing as subscription revenues are falling in print publications (Downie and Schudson, 2011; McChesney and Pickard, 2011). This development turns the attention of media entrepreneurs to crowdfunding. Records on Kickstarter website indicate that Journalism first took part in crowdfunding in 2009, and nearly 700 journalism-related projects posted on Kickstarter between April, 2009 and September, 2015 achieved full or more than full funding, amounting to about \$6.3 million (Nancy Vogt, Amy Mitchell, 2016; Ziegler et al. 2019). As the number increases, so is the typology. Aitamurto (2015) identified the following types:

1. Crowdfunding for a single story
2. Crowdfunding for continuous coverage/beat
3. Crowdfunding for a new platform/publication
4. Crowdfunding for a service that supports journalism



Aitamurto (2015) observed that the financial worth of online journalism is decreasing. The number of employees working in newsrooms continues to decrease as a result of media reorganization and dwindling funding, leading to a growing number of freelance journalists; and crowdfunding, in which campaigns are backed by a large number of little contributions or payments, is one new possible source of income for journalism. Independent journalists submit their story ideas through community and crowdfunding networks such as Kickstarter. During the past several years, journalism crowdfunding has become more and more popular.

Theoretical perspectives on crowdfunding

As research into crowdfunding evolves, scholars have begun the search for appropriate theoretical frameworks to guide discourse. Among the few theories being proposed are Equity Retention and Social Network theories. Equity retention is usually on the assumption that donors who are optimistic about the potential of a crowd-funded project would retain as much equity as possible, whereas those who are pessimistic or lack confidence in the project's ability to generate positive cash flows in the future tend to contribute less. Using a sample of 271 projects listed on Crowd cube and Seedrs Vismara (2016) found that campaigns launched by entrepreneurs who sold smaller fraction of their companies at listing and had more social capital stood greater chance of succeeding in a crowdfunding campaign. This aligns with one of the four models of crowdfunding for startups—Reward-based crowdfunding, Equity-based crowdfunding, Debt-based crowdfunding, Donation-based crowdfunding—identified by Aitamurto (2015).

Social Network Theory emphasizes the role of social relationships in the exchange of information, in channeling personal or media influence, and in enabling attitudinal or behavioral change. In the context of crowdfunding, funding campaigns have generally leveraged on social media relationships not only to disseminate funding information but also in persuading donors (Liu, Sidhu, Beacom and Valente, 2017). Persuasion is made possible because the embeddedness of the individuals within a network, and the interaction between social structure and individual attributes within those networks align with crowdfunding practices and processes (Gamper, 2022).

Social systems have consistently been proven to be effective in mobilization due to the combination of external influences such as the mass media and internal influences such as strong and weak social relationships and closeness to opinion leaders). The numerous roles



ascribed to a social system sometimes combine to influence a member towards adopting an innovation such as crowdfunding (Strang, Soule, 1998; Greenhalgh, Robert, Macfarlane, Bate, Kyriakidou, 2004).

Methods of crowdfunding

Campaigns for projects connected to journalism are far more common on well-known sites like Kickstarter and Indiegogo, which do welcome projects from different fields of endeavour. Aitamurto (2015) observed that the power of crowdfunding as a revenue model comes from the quantity of relatively small donations, ranging from \$5 to \$20". Money has been raised for different types of journalistic productions: single stories, continuous coverage, or new publications. The crowdfunding platforms allow online communities to come together around a shared project and create "new social interactions that motivate the crowd to participate in the funding of a project, offering feeling of connectedness to a community with similar interests and ideals' for crowdfunders". Next to collecting the money, crowdfunding creates additional value in several ways by sensing the potential interest among the audience, branding in the form of brand attention, finding knowledge for the story in the form of contributions, and building an audience. Details of crowdfunding processes are presented in Table 1:

Table 1: Six Crowdfunding Processes

SN	Crowdfunding Processes
1	Pitch or present the idea or project
2	Backers pay money for the project/site they support
3	Some backers offer advice for the project
4	After the deadline for payment the All or nothing model is adopted depending on the platform
5	After the deadline for the payment the keep-it-all model is adopted depending on the platform
6	If the project is successful the platform takes a particular percentage of the total amount.

Cases of crowdfunding in the mass media

Case 1: So far, the only thing close to crowdfunded journalism in Nigeria is the case of Africa Independent Television (AIT). In the year 2000, AIT owed a consortium of banks, and as a result of not meeting



its syndicated loan obligation, the station was scheduled to be taken over by creditors in line with their loan default agreement. The executive management solicited for donations from its stakeholders. Though this was not done via the internet, they were able to raise the fund and pay back the loan. The station has since remained operational and free of the debt. As at the end of 2023, it was among the profitable and credible stations in Nigeria.

Case 2:Block Club Chicago is an online newspaper that reports local and neighborhood news in Chicago. The website operates as a non-profit, subscription-based service, and was initially partly funded with a Kickstarter campaign, and by 2021, it had a newsletter circulation of 140,000. By 2023, the website had 20,000 paid subscribers.

Case 3: De Correspondent is a Dutch news website based in Amsterdam, Netherlands. It recorded one the most successful journalism crowdfunding campaigns, in 2013 and raised more than €1 million within eight days. Its business model distinguishes itself by rejecting the daily news cycle and focusing on in-depth and focuses on in-depth and chronological coverage on a topical basis rather than a daily news offering. Its success inspired a German website Krautreporterin 2014 to adopt the same concept. The English language version, *The Correspondent*, was launched in 2019 after raising US\$2.6 million through a crowdfunding campaign the previous year.

Case 4: Krautreporter is a German news website that has been online since October 2014, financed by crowdfunding to guarantee independent journalism without advertising. Inspired by the Dutch news website, De Correspondent from the Netherlands, Krautreporter also focuses on topics rather than take a general news approach.

Case 5:Hong Kong Free Press (HKFP) is a free news website operating as a non-profit organisation in Hong Kong, with the objective of providing an alternative to the dominant English-language news disseminated by the *South China Morning Post*, and to provide adequate coverage to the pro-democracy movement in Hong Kong. Fringebacker was engaged to raise HK\$150,000 (US\$19,342) in a month to support two journalists, and the amount was raised in two days, encouraging them to increase the target. Eventually the campaign was concluded with more than \$600,000 raised. This enabled them to recruit more journalists and contributors and to establish their headquarters and launch the full website in June 2015.



Case 6: Canada National Observer (CNO) is an online newspaper based in Canada. In 2016, it engaged Kickstarter for a crowdfunding campaign, and explained that the journalism it was setting out to do as a "dramatic new series about the world's fight to beat climate change." The campaign raised \$70,863 from a total of 784 contributors.

Case 7: Proposed "Uncoverage" for Nigeria: A group based in the United States of America floated a new crowdfunding site to help journalists and nonprofits seek funding for hard-hitting investigative reporting beginning from 2014, with plans to focus on Nigerian economy and politics. The objective was to "democratize patronage for investigative journalism." In the words of Weiss (2013) the strategy was to encourage site visitors to "make a secure donation to journalists for coverage of specific topics or stories. Pledges can be for one-time donations or for a recurring donation that functions like a subscription" (Weiss, 2013).

Case 8: Liberty TV: Andrius Tapinas, propelled by the shock of losing his TV programme on Lithuanian television, in 2016, founded Liberty TV, a completely independent internet television channel crowdfunded by viewers. In ten days, they reached their financial goal of €15,000, and close to 5,000 contributors committed to funding the channel in the first month. Tapinas explained that "subscribers were free to pledge their support for whatever duration they chose, with no obligation to continue" after the pledge period. They were also able to bring on board commercial sponsors who accepted that there would be no strings attached to their funds (Tapinas, 2017).

Concerns arising from crowdfunded journalism

Scholarly conversations on crowdfunded journalism have generally centred on issues such as its effects on journalistic objectivity, social responsibility, editorial control, revenue and the status of media staff in non-profit firms. Presented in Table 2 is a summary of the basic concerns perused in extant literature:

Table 2: Researchers and Concerns Interrogated

SN	Researchers	Interrogated Concerns
1	Jian, L.Usher, N. (2014)	Impact of crowd-funded journalism on the news produced. Stories that provide practical guidance for daily living to

		consumers (e.g., stories about public health or local city infrastructure) get more donations.
2	Jian, L. and Shin, J. (2015)	Donor motivations-- belief in freedom of content, altruism, contributing to one's community, fun, family and friends.
3	Polezza, C. and Splendore, S. (2018)	The paper raises concerns about conflicts of interest, accountability and transparency.
4	Carvajal, M.; García-Avilés, J.A. and González, J.L. (2012)	Success factors: Transparency, user involvement and control over where their money goes.
5	Ladson, N. and Lee, A.M. (2017)	What donors want and why: Non-public affairs news, author location and campaigns with more reward options are more likely to attract donations
6	Aitamurto, T. (2011)	The Impact of Crowdfunding on Journalism: Reader donations build a strong connection from the reporters to the donors and creates a new sense of responsibility to the journalists. The primary motivation is common good and social change.
7	Aitamurto, T. (2015)	In crowd-funded journalism, agenda-setting power is shared between the journalistic institution and funders. By donating to a pitch, the donor expresses which topics need to be reported.
8	Hunter, A. (2015).	Journalistic norms of autonomy and objectivity: Journalists desire for autonomy and commitment to donors present potential conflict of interest. Crowdfunding could be used to create journalism with a 'point of view', or advocacy journalism.
9	Cha, J. (2020)	Shows how social change aims, public interest, past and future narratives, entrepreneurs' gender and their affiliation with mainstream news outlets predict successful funding for journalism projects.

10	Hunter, A. and Bartolomeo, J.D. (2019)	Argues that crowdfunding is being used to create feminist online magazines, online spaces, and freelance journalism to tell stories about women, or a female-identified audience with the aim of creating change, a community or a movement.
11	Mor, N., Davidson, R. and Tsfati, Y. (2022).	Influence of professional orientation, identity, creators' gender, ethnic identity and technical proficiency of journalists as predictors of the success of journalism crowdfunding campaigns.
12	Fanea-Ivanovici, M. (2018)	Campaign success depends on the provision of adequate financial information both during and after the campaign (such as how the money was used and how the money would be returned if the project failed).

Discussion of the cases and concerns

Analysis of the cases indicates that successful campaigns occurred mainly in the global West where the watchdog function of journalism is clearly understood, hence their willingness to fund investigative journalism and community reportage as in the cases of Weiss (2013) and Hunter and Bartolomeo (2019). This implies that issues of concern to a group, community or city could easily get crowdfunding support within that group, community or city. However, cases of successful crowdfunded journalism cut across media—newspaper, magazine, television and social media—indicating that readers and viewers are willing to support journalism projects irrespective of the media type. This is consistent with findings made by Fanea-Ivanovici (2018). The study concluded that campaign success largely depends on the provision of adequate financial information both during and after the campaign (such as how the money was used and how the money would be returned if the project failed).

A major concern is the possibility of conflict of interest. In a bid to fulfill their social responsibility to nations, cities and communities where they operate, journalists desire to preserve their autonomy. But the general fear is that their commitment to donors would surely present conflict of



interest (Hunter, 2015). Where a funding crowd is one with a point of view on an issue, it is easy for the journalists or media company to project that view point in a reciprocal relationship.

Aitamurto argues that where agenda-setting power is shared between the journalistic institution and funders who donate to a pitch, the donor clearly expresses which topics need to be reported Aitamurto, T. (2015). This has implications for the Agenda-setting Theory and suggests that in future, there might be collaborative agenda-setting as against the present situation in which the mass media singlehandedly set agenda for readers and viewers.

Conclusion

As a concept, crowdfunded journalism seems to be an idea born in due season because it fills a gap created by scarcity of funding in the mass media. To a large extent, newspapers, magazines and books are the hardest hit by the emergence of online alternative platforms for news dissemination and information distribution. This development implies that raising funds for publishing through traditional channels has become more difficult. Thus, the birth of crowdfunded Journalism as a natural response to a difficult challenge.

The growth of crowdfunded journalism has been rapid. While the method seems to be controlled by the nature of the internet, the strategies continue to evolve from campaign to campaign, depending on the skill of the promoters and the characteristics of the targeted funders. And this probably explains why it has grown rapidly in terms of typology and the processes. The cases continue to grow across media genres and geographical regions.

Even as it makes fund available for Journalism projects, projects that bother on common good and have human interest perspective have continued to attract more funds, a situation described as a positive development. However, concerns exist for the freedom of the press, conflict of interests and social responsibility of the press as well as many other aspects of journalism.

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