Chapter 3

Local and Niche Sites: *The Advantages of Being Small*

TBD.com ran into trouble right from the start. In February 2011, just six months after going live, the Washington, D.C., area's high-profile experiment in local online journalism announced that it would lay off half of its editorial staff, detach its site from its TV-station partner and reinvent itself as a culture-and-lifestyle site. Many of those who did stay on looked for the exit as soon as they could line up another job.

The reshuffling—which followed the departure of Jim Brady, the former Washington Post online executive brought in to launch the site—marked the meaningful end of one of the best-funded and best-pedigreed efforts to make professional journalism work online. The site, whose name stands for To Be Determined, had drawn a great deal of attention for the quality of its editorial staff and for its use of social media.[1] Clearly there was an important lesson here for other news sites, especially those plying the local or "hyperlocal" trade.

Just what that lesson was, though, is in dispute. Does TBD's failure prove that "hyperlocal journalism is more hype than hope," as media analyst Alan Mutter put it?[2] Or did it mainly signal a failure of nerve on the part of corporate parent Allbritton Communications, whose CEO, Robert Allbritton, had pledged to provide a three- to five-year runway to profitability?

It is clear that the site was, as expected, losing money, despite impressive traffic growth. According to coverage in the Washington Post, unique visitors to TBD.com had risen from 715,000 in November 2010 to 838,000 in December and 1.5 million in January 2011. But, as the incoming head of the site told the paper, "It was still not generating enough [income] to offset the hefty costs."[3] Two insiders interviewed for this report said the January traffic spike was not as striking as it looks, because much of it consisted of people looking for information on the region's heavy snowstorms that month.

Nobody involved has revealed the precise size of TBD's losses. Saul Carlin, an Allbritton executive involved with TBD from the start, would say only that "traffic and revenue were being closely monitored. As a result, a change in management was necessary."

Brady says the picture was not that grim. The site had been budgeted to earn revenue "in the low millions" in year one; he argues it was on track to reach perhaps 75 percent of that goal. "The situation wasn't great when I left, but it wasn't catastrophic either," he says.

Mutter, a former journalist and media executive, took the shortfall as a demonstration of a fundamental misalignment between the expense of producing local reporting and the potential online revenue from it, because of the built-in constraints of small audiences and puny ad rates. Various hyperlocal flameouts support this thesis: among others, the Washington Post's Loudoun Extra and the shuttered New York Times site for suburban New Jersey, whose audience was handed off to local start-up Baristanet.

Still, mistakes were made. Brady has said repeatedly that resistance from the site's broadcast partner WJLA, the Allbritton-owned ABC affiliate in Washington, proved a major hurdle. Both Brady and Steve Buttry, TBD's director of community engagement, said the TV staff was unhappy to see its website rolled into TBD.com—which linked out heavily to other media outlets—and that the station failed to promote TBD wholeheartedly on the air.

"The first time we linked out to another TV site, that was a major collision," says Buttry. He adds that TBD linked out more moderately after that and gave the TV news staff a "heads-up" when it planned to point to a story that WJLA had missed. "The lesson from our experience is that the legacy culture is powerful and ingrained," he says. "Whenever its revenue stream might be endangered or disrupted, it's going to have a big influence on decisions."

The most important example of that influence was the decision to fold TBD's ad sales staff into WJLA's, which led to the departure of the small digital sales team that Brady had assembled. "Selling digital is hard. I was adamant that the only way to be successful was to keep the sales force separate," he says. The tension was visible from the start, Brady adds; an example is an ambitious launch sponsorship of more than $75,000 that his sales team planned to pitch to a local car dealership. WJLA intervened, arguing that it would damage a valuable relationship between the dealer and the TV station, Brady says.

"When I was at the Post, we were routinely doing six-figure online deals," Brady says. "If the sales force itself doesn't believe digital is worth it, how are they going to sell it? To just assume nobody would ever spend that much online is insecurity with your own inventory."

Just as revealing as what went wrong is the list of things TBD seemed to have going for it, which help to clarify the intense interest local online news ventures have drawn for the last five years. Most important was its association with sister site Politico.com, another well-funded, generously staffed Allbritton venture led by high-profile news veterans. Like Politico, TBD promised to be not just on the Web but "of the Web," in Brady's phrase, meaning that it would link abundantly, deploy social media aggressively and engage closely with users. And like Politico, TBD promised to deliver to its advertisers a well-defined audience—not just generic news consumers, but people intensely interested in the particular news it had to offer. (Still, it is worth keeping in mind that at least through 2009, Politico earned more than half its revenue from its free, ad-supported print edition,[4] with a circulation of about 32,000.[5])

TBD also sought to strike a balance between focus and scale: Visitors would be drawn in by news about their immediate environs or interests, but behind the scenes the operation could reap the "efficiencies" of serving a large metropolitan area. (Brady insists "hyperlocal" is the wrong word for what was really a regional site with a neighborhood interface.) Likewise, the site would include a mix of aggregation and firsthand reporting. To describe the site, Robert Allbritton has used the analogy of a supermarket bringing together items that previously could not be found in one place. Before TBD, he declared when the site launched, finding local news online was "like trying to buy groceries in the old country. First you went to the fishmonger, then to the baker, then to the grocer, and so on."[6]

Other hyperlocal ventures have tried to apply versions of that idea on a national scale. A good recent example is Main Street Connect, a "national community news company" that went live in 2009 and consists, so far, of 10 sites serving towns in Fairfield County, Conn. The separate sites share editorial resources (neighboring communities see many of the same articles), technology infrastructure and an ad sales team. "We'll soon be bringing our vision to other groups of towns," Main Street's web site promises. "Watch for us."[7]

By far the grandest of the new hyperlocal journalism ventures is the nationwide Patch network, which was bought by a struggling AOL in 2009. With sites in 700 communities and counting as of March 2011, each led by a local editor making $40,000 to $50,000 a year, Patch has turned AOL into one of the biggest sources of new journalism jobs in the country. Visitors to a local Patch site see news and information about a specific community, written and curated by people in that community, whether it's Dublin, Calif., or Dunedin, Fla. (In March 2011, AOL also bought Outside.in, a hyperlocal network that automatically aggregates news, blog posts, police reports and other public data, and says it is in 57,830 neighborhoods. Reports suggest AOL was interested in the underlying technology more than the business itself.[8])

To run all of those Patch sites, AOL can count on centralized resources like a massive in-house ad network, a sales force with ties to national brands, and sophisticated search engine optimization technology for maximizing the meaningful lifespan—and thus the economic return—of every piece of content it produces. Like McDonald's, AOL uses sophisticated market research to assess the commercial potential of the communities where it is considering planting the Patch flag. (According to a New Yorker profile of AOL chief executive officer Tim Armstrong, the Patch formula considers 59 factors, from average incomes to voter turnout.[9])

The same infrastructure supports AOL's growing stable of niche or "vertical" content sites, anchored by acquisitions such as the martial-arts blog MMAFighting.com, the tech-industry site TechCrunch and the sprawling Huffington Post, which AOL bought for $315 million in 2011. It's no exaggeration to say that AOL, whose original business model (providing dial-up access to the Internet) is badly out of date, has staked its declining fortunes on local and niche journalism.

Why? The underlying logic is the same at AOL as it was at TBD: In a world where much of the daily news has become commodified, only news that people can't find elsewhere will command a loyal audience. This is hardly a novel insight among media analysts, who since the late 1990s have pointed to financial news as a rare example of the sort of information that people, and advertisers, will pay for online.

A 2006 report on "value creation" in journalism, from Harvard's Kennedy School of Government, put the lesson bluntly: "specialize or localize."[10] As the report explained, "Because of the increasing range of information sources, greater abilities to access material from anyplace at anytime, and requirements to create tight bonds that lead to loyal consumers, news organizations will have to move away from the unfocused, something-for-everyone, one-size-fits-no-one news products characteristic of the second half of the twentieth century."

Of course, not every news outlet can be the Financial Times or the Wall Street Journal, with long-cultivated expertise in a valuable and time-sensitive brand of information. For most, the clearest path to "adding value" lies in paying closer attention to their immediate community. The Harvard report put this drily: "To be competitive and create economic value, media will need to increase their differentiation, and thus exclusivity. The most effective way to do so is to create value through local coverage that is linked to the lives, aspirations, and understanding of individuals in the locations in which they live. It is this kind of coverage that other news providers cannot do well."

That's the theory. But TBD, Patch, the hyperlocal sites launched by the New York Times and the Washington Post, and many others like them have yet to produce a commercially viable proof-of-concept. The list of success stories in local online news hasn't changed much in recent years; it contains mainly small, grass-roots community sites. If nonprofit ventures with significant foundation funding, such as MinnPost and the Voice of San Diego, are removed from the list, most of what's left are Baristanet, Alaska Dispatch, The Batavian, West Seattle Blog and a few others.

These ventures vary in their business models and the kind of journalism they produce. What they have in common is limited resources, a narrow coverage footprint and no claim to the corporate efficiencies of their larger peers.

* * *

Alaska Dispatch is a statewide news site launched in 2008 by the husband-and-wife reporting team of Tony Hopfinger and Amanda Coyne. In 2009, philanthropist and former *U.S. News & World Report* executive Alice Rogoff bought a majority share; the founders stayed on as editors, and the Dispatch was relaunched with a mandate to build up a newsroom and dedicate itself to serious political journalism.

Today the site has a full-time editorial and Web staff of 10, up from just two at launch. It also uses paid freelancers. Total staff costs run in the neighborhood of $650,000 per year. The Dispatch saves money by avoiding print and delivery costs, which is an especially serious expense for dailies in Alaska. In late 2008 the Dispatch's print rival, the Anchorage Daily News, ended rural air delivery to the state's remote outposts.

Rogoff says the Dispatch doesn't stint on the costs of covering the Alaskan frontier. The newsroom is attached to an airplane hangar in Anchorage, and access to Rogoff's airplane has made it easier to cover distant events like the Iditarod sled race. (The Dispatch also drew praise for its reporting on the 2008 Point Hope caribou massacre and subsequent trial.[11]) Tony Hopfinger says the site focuses on statewide political news and analysis—exactly what many small dailies have cut in favor of covering murders and car wrecks.

The site's founders say that commercial success is integral to the mission of the Alaska Dispatch. Even the "About Us" page repeats the message: "Because the owners of the Alaska Dispatch believe that journalism must and will ultimately pay for itself, the site is a for-profit enterprise, relying on online advertising and sponsorship." When she became publisher, Rogoff committed to backing the site until it turns a profit, which she expected to happen in three years. Now, about two years in, she won't disclose financial details but says the Dispatch is on track to meet its goals.

The Dispatch does appear to have found a niche in Alaska's news ecosystem. Roughly 125,000 unique visitors generate more than 1 million page views each month, impressive statistics in a state of just over 700,000 inhabitants. According to Hopfinger, the site has about 30 to 40 advertisers at a time; its ad rates run from $150 to $1,550 per month, with a guaranteed minimum of 75,000 impressions. Though pricing is by the month, the site will oblige advertisers who would rather buy by the amount of traffic—hence the guarantee. And the Dispatch's modest entry-level rates compare favorably with print alternatives.

One of the Dispatch's biggest challenges has been to forecast the amount of ad space, or inventory, it will have each month, because this fluctuates greatly depending on how much traffic the site gets. On occasion, the site has had to turn advertisers away. To deepen and diversify its inventory without taking on too much risk in increased editorial costs, Hopfinger plans to bring established Alaskan blogs into the Dispatch under a revenue-sharing agreement.

At first glance, the statewide profile of the Dispatch seems to set it apart from smaller local sites. But Rogoff and Hopfinger stress that Alaska's agenda-setters constitute a kind of village, one spread among Anchorage, Juneau, Washington and Houston. They share a narrow and well-defined set of interests: federal funding, government regulation, the oil industry (hence the Houston link), transportation, Sarah Palin and so on. One of the site's most successful features is its "Bush Pilot" blog, focused on the small-scale aviation so critical to Alaskan life.

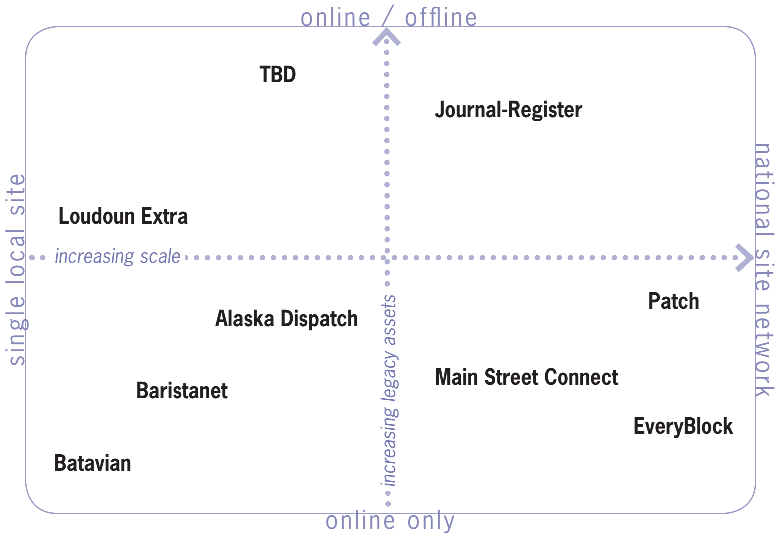
"It's like a small town," Hopfinger says. "The flipside of that is there are fewer people and fewer businesses." But he adds that the Dispatch has benefited from the kind of boosterism that smaller community sites enjoy. "You get an opportunity as an underdog. People want to see us succeed," he says.

An emphasis on a small and well-defined community sets apart most of the online-only local news outlets that began to dot the Web about five years ago. These run, generally, from professionally staffed hard-news outlets such as the Dispatch to news-oriented community blogs like Baristanet and West Seattle Blog. Wherever each site falls along that spectrum, none of these grass-roots ventures has either the assets or the built-in costs of local sites backed by established newspapers or television stations. (For a detailed discussion of costs, see Chapter 7.)

The grass-roots sites also face a different set of problems than do large-scale, networked hyperlocal ventures such as Patch, and, to a lesser extent, the original TBD. Patch is hardly a legacy newsroom. But it does have to succeed on a scale that justifies AOL's vast editorial, infrastructural and ad-sales investments (and that compensates for the company's declining income as an Internet service provider.) If only a few of the 700-plus Patch sites take root and thrive in their communities, that won't be enough for the enterprise to succeed; for the business to make sense, the bulk of them have to work.

Landscape of local online news

Local and "hyperlocal" news sites vary both in their coverage footprint and in their affiliation with traditional print or broadcast outlets. Many of the success stories in online journalism appear in the bottom left quadrant: small, grass-roots ventures without corporate backing or ties to established newsrooms.



SOURCE: Authors' analysis

These distinctions suggest two axes for plotting the local news ventures working online, depicted in the chart shown here. The vertical axis distinguishes online-only outlets from those that also have traditional print or broadcast assets. The horizontal axis arrays organizations according to their editorial footprint: single-site, hyperlocal outlets covering a community or neighborhood; sites or small site networks covering a cluster of communities; and site networks with a regional or national scale.

The local news sites on the top half the chart are tied to substantial legacy operations, whether they are based in one city or spread across a chain of newsrooms that share back-end resources. These sites enjoy the same advantage in serving their local audiences that the New York Times site does in delivering national news online: access to the editorial resources of established professional newsrooms. But that editorial product published online yields only a tiny fraction of the ad revenue that it does in print or broadcast. The health of these sites is effectively wedded to the health of their traditional parents.

The hyperlocal networks in the bottom right quadrant don't have legacy newsrooms to draw on. They must either build an editorial staff from scratch, like Patch and Main Street Connect, or cull local information from public sources and other sites, as do EveryBlock (now owned by MSNBC) and Outside.in. Their key asset lies, potentially, in uniting hundreds or thousands of hyperlocal channels with back-end infrastructure for selling and serving advertising.

It is easy to understand the argument that these networks ought to occupy the sweet spot for hyperlocal news. Like a stable of trade publications or a chain of small newspapers, Patch can pull together a large audience out of many small ones. Its size should confer advantages unavailable to local competitors in the individual markets where it operates: lower costs, better technology, access to bigger advertisers and so on. And as noted above, those markets have been carefully selected for their commercial potential.

The bottom left quadrant is the source of the most surprising lessons about building commercially viable journalism online. The independent, locally grown news sites that populate this quadrant would seem to be at a clear disadvantage. They lack the editorial backing from established newsrooms that many competitors enjoy. Their infrastructure costs—bandwidth, content management, ad serving and so on—are fixed and cannot be shared across a network. They lack what has been considered a crucial element of success in the media business: scale.

That several of these grass-roots sites have nevertheless built viable businesses raises two questions. The most obvious one is how they have managed to make ad revenue align with expenses. But just as important—and perhaps still to be determined—is whether their model can support serious accountability journalism.

* * *

The city of Batavia, N.Y., is unlikely to show up on AOL's carefully calculated list of promising Patch sites. It is a Rust Belt community of just 16,000 people in the western end of the state, about 50 miles from Buffalo. The prison system is one of the few growth sectors in what was once a thriving industrial center, and Batavia's downtown merchants have struggled to compete with big-box retailers.

When The Batavian's website went live in May 2008, the local paper, the Batavia Daily News (owned by the Johnson Newspaper Corp.) didn't have a website. (It does now.) Gatehouse Media, which publishes small dailies, weeklies and "shoppers" around the country, launched The Batavian as an experiment in online-only publishing. In addition to hiring two reporters, who are no longer there, Gatehouse provided its in-house digital guru, Howard Owens, who became the new site's publisher. In early 2009 Gatehouse laid Owens off and he assumed ownership of The Batavian, which runs as an independent site with no editorial or business ties to other publications.

Three years after going live, The Batavian, according to Owens, is profitable. It offers a promising example of local online journalism. The site has grown from fewer than 2,000 unique visitors per day in 2008 to roughly 6,000 now, generating close to 600,000 page views each month. Owens won't say what it costs to run, but The Batavian operates with a skeleton staff: Owens, his wife, and two part-time employees, in addition to freelancers who are paid a small sum per story. The site posts about five short reported stories per day, and additional bulletins or photo pieces.

Most impressively, The Batavian has about 100 advertisers at any time—up from just three in 2008—and pulled in between $100,000 and $150,000 in ad revenue in 2010, Owens says. He aims to double ad income in 2011 and to hire one or two full-time employees. "I don't really have to sell anymore—they call me," he says of local advertisers. "It's driven by word of mouth."

One factor driving that word of mouth is The Batavian's modest advertising rates. The site eschews pricing by traffic completely; instead it charges a flat fee of $40 to $260 per month (though one premium package runs as high as $400).

Owens estimates that a month's run on his site would buy just one day's placement in his print competitor, the Daily News. "I wanted it to be an easy decision," he says. "What's another $200?"

Online, of course, the supply of space available to sell to advertisers increases with traffic, because "impressions" are the unit of measurement. A small site like The Batavian would be hard-pressed to support 100 advertisers with the top-of-page banner model used by many large metro dailies. With one major banner per page, each sponsor would get just 6,000 impressions per month, or $30 worth at a fairly generous $5 cost-per-thousand. (In 2010 comScore found[12] that average newspaper CPMs were $7 nationwide, though its analysis included the largest newspapers and newspaper chains in the country; small local outlets tend to have lower rates.) At that rate, the site would earn $36,000 a year. If there were two big banners on each page, annual revenue would rise to $72,000.

Instead, Owens runs the site like a "pennysaver"—every advertiser appears on each page, in long columns running down both sides of the site. Their positions rotate during the day to make sure every merchant spends some time near the top. And to encourage scrolling, every article appears in full on the site's front page, with the most recent items at the top. It is possible to absorb all of the day's news without ever clicking beyond the home page. Owens doesn't have to worry about driving traffic to various corners of the site to deliver impressions to different advertisers. He designed this approach based on his experience at three newspaper companies, with access to online data for more than 100 local papers. "I saw that it's very hard to get people to move past the home page," he explains. "So I decided to base my business on that."

A national brand probably would not place its ad alongside 100 others. But Batavia's merchants have the sense that they are sponsoring a popular local resource at a reasonable price. Local boosterism makes a difference, Owens insists: "Some advertisers just want to support community." His advertisers rarely ask about click-through rates, though Owens says some are pleased to learn that, say, a total of 80 people clicked on their ad over the course of a month.

A useful metric for evaluating this approach is not CPM, but RPM—revenue per 1,000 impressions. Assuming The Batavian earned $125,000 in 2010 (the middle of the range Owens claims) and averaged 600,000 page views per month, it achieved an RPM of $17, an impressive figure for a news site serving a small and far-from-affluent community.

* * *

A similar formula applies at Baristanet, one of the most successful local news sites in the country. Baristanet has one decisive advantage: its audience of affluent, media-savvy professionals in the retail-rich bedroom communities of suburban New Jersey, anchored by the towns of Montclair and Maplewood. (The area scores well on AOL's algorithms—six of the seven towns Baristanet serves have their own Patch sites.)

Baristanet, launched in 2004, keeps costs radically low. Everyone involved with the site has another job—even the two founders, Liz George and Debbie Galant. "Everyone's freelance," George explains. She and Galant act as top editors, giving the final word on every article; one other editor is paid by the month. The rest of the site's dozen or so freelancers—many of whom moonlight from salaried jobs—are paid by the piece, usually about $50 each. "We don't want long articles," George says. "If they spend half the day on a story, that's too long."

Then there are people who write for free, submitting opinion pieces, comments, bulletins and photos. Baristanet offers roughly the mix of content that a community weekly would; one Friday in March 2011, for instance, some political news about local budgets was sandwiched between pieces on "weekend highlights" for kids and a major markdown at the local cheesemonger. George explains that many smaller items require no reporting at all, just a photo and a blurb. The combination of paid articles, opinion, aggregation, and "things that come in over the transom," yields more than enough material to keep the site fresh, she says.

Altogether, editorial costs run to $5,000 or $6,000 per month—higher than at The Batavian, but still fairly modest for a site that runs about eight longer articles per day and, according to George, attracts 80,000 unique visitors monthly. Most important, costs are far below the roughly $20,000 in advertising that George says Baristanet pulls in each month. For several years, according to George, the site's profits have provided a sizable second income for the two founders and their hired editor.

Baristanet also eschews cost-per-thousand pricing in favor of a simple calendar model, and, though rates run higher than at the Batavian, an advertiser can get on the site quite cheaply. Merchants pay from $150 to $1,600 per month (weekly rates are also available) depending on their ad's size, placement and frequency of rotation. George says businesses in the area have no interest in buying by the impression or by the click, though Baristanet does report such statistics to them.

Because Baristanet rotates ads across its available inventory, a merchant's exposure is limited by the amount of traffic the site gets. According to George, consultants have advised against ad rotation, but so far the hospitals, car dealerships, real estate agents, restaurants and other businesses that advertise on the site don't seem to mind. Merchants occasionally call wondering where their ad is; George advises them to refresh the page a few times until it appears.

As a result, Baristanet achieves an enviable ratio of revenue to traffic. With an average monthly volume of about 475,000 page views, the site enjoys an RPM in the neighborhood of $42—many times the revenue it would get if it used a standard CPM model. Just as The Batavian's revenue would collapse if merchants complained about being stacked together on a single page, Baristanet could not do the business it does each month if it had to guarantee a hard number of impressions to each advertiser.

It seems fair to assume that the site's appeal to advertisers is not tied to such narrow statistics. George suggests that merchants are paying relatively little to be a part of a one-of-a-kind community resource that enjoys wide recognition in the towns it serves. Baristanet claims to have 53 percent household penetration in its core market of Montclair and has logged more than 300,000 comments since its inception—roughly one for every other person in all of Essex County(though many come from repeat commenters). "It's been an easy sell," George says. "Everybody wants to partner with us."

* * *

That local online journalism can succeed in such different environments—prosperous suburban New Jersey and Rust Belt upstate New York—is an indication that it can be viable elsewhere. A 2010 survey of 66 "promising local news sites" around the country, conducted by the Reynolds Journalism Institute at the University of Missouri, found that the top objective of these sites was to "produce original news" and that on average nearly half of their content came from paid staff, rather than, for instance, aggregation or reader contributions. [13]

Advertising was far and away the most important revenue source for these sites, accounting for 45 percent of revenue on average. (Foundation grants came next, at 17 percent of revenue, and reader donations followed at 12 percent.) For 28 of the sites surveyed, advertising supplied three-fourths or more of annual revenue. Fifty-six percent of the sites operated as for-profit ventures, and of these, half reported making a profit the previous year. (It is important to remember these results are entirely self-reported.)

Clear lessons emerge from the experiences of Baristanet, The Batavian and the Alaska Dispatch. First, all three sites have embraced calendar-based advertising pricing systems that yield more revenue than they could expect pricing strictly by the number of impressions. Low prices, anecdotal successes and a sense of community engagement allow local merchants to find value on terms that a national advertiser might reject out of hand. The sites have managed to appeal to local advertisers by selling in terms that work for them. "A lot of advertisers don't understand CPMs," says Victor Wong, CEO of PaperG, a company that helps publishers attract local ads. "They don't understand what a page view means, they don't know when the page ran, they don't trust CPM measurement."

But it would be a mistake to see in these examples a formula that any local venture could replicate just by asking merchants for a few hundred dollars each month. Each of these sites filled a vacuum when it launched and has remained popular even as new competitors have appeared. Their real feat is having built sizable audiences on the cheap. The same is true of niche or "vertical" sites that aim for a particular demographic segment or "community of interest," rather than a geographic area.

Henry Blodget's Business Insider (reviewed in detail in Chapter 7) offers a good example: The financial news site reached break-even last year by building a monthly audience of 6 million unique visitors, on a yearly budget of about $5 million. An even more dramatic example is DailyCandy, the decade-old trend-surfing email newsletter that occupies roughly the same journalistic space online that Lucky magazine does in the print world.

DailyCandy was launched in March 2000 from the kitchen table of Dany Levy, then a young editorial-side veteran of New York magazine and Lucky. Levy's venture offered one of the most bare-bones editorial propositions imaginable: a short daily email alerting readers to something hot—a new cupcake shop, a shoe style—in New York's (and the Internet's) fast-changing retail culture.

"One simple thing in your e-mail inbox that told you one thing you needed to do that day," Levy explained to a Harvard Business Review blog in 2009. "It was meant to save people time and keep them plugged in. Not everyone can afford to eat at Mario Batali's new place, or some other hot, new restaurant, but this kind of knowledge is cultural currency. It's water-cooler conversation." [14]

That interview came after her company had been bought by Comcast, in the summer of 2008, for a reported $125 million. By the time of the sale, Daily-Candy had grown from a one-person shop to a company with 55 employees, running 12 editions across the country and reaching a total audience of 2.5 million people—most of them women, and two-thirds of them younger than 35. Financial details were scarce, but an internal email from early investor (and veteran of MTV and AOL) Bob Pittman reportedly said the company would reach $25 million in revenue in 2008, with profits of $10 million.[15] Analysts had been speculating eagerly about what the company might be worth since 2006, when the Wall Street Journal reported it was on the auction block at $100 million.[16]

Those numbers put DailyCandy in a different league financially from the local news ventures profiled in this chapter. But the dynamic that makes DailyCandy work was visible years earlier, when the newsletter was a grass-roots venture with much smaller ambitions. Levy launched her business with $50,000 in savings and $250,000 raised from family and friends. The first edition went out to just 700 people, mostly friends or colleagues of Levy, then readership grew explosively. In 2001 the newsletter was already paying for itself, with tiny ads in each emailed edition as well as separate sponsored emails straight from advertisers.

By 2003 the subscriber list had grown to 285,000—more than 400 times its starting audience, a stunning ratio for so-called organic growth achieved with minimal outside support. It was on the basis of these numbers that Pittman made his initial investment in the business, reported to be "in the single-digit millions," which in turn fueled the newsletter's expansion into new markets and new editions. [17]

In a broad sense, the experience of successful local and niche sites bears out the received wisdom that media ventures in today's hypercompetitive landscape must "specialize or localize." But only a fraction of online news outlets that pursue this strategy ultimately succeed. Defining and attracting a desirable audience is necessary, of course, but not by itself sufficient; acquiring that audience on a tight budget is what sets successful grass-roots ventures apart from the also-rans.

---

1 See, for instance, Laura McGann, "Six reasons to watch local news project TBD's launch next week," Nieman Journalism Lab, Aug. 6, 2010. http://bit.ly/dRnAxQ

2 Alan D. Mutter, "Hyperlocals like TBD: More hype than hope," Reflections of a Newsosaur, Feb. 24, 2011. http://bit.ly/fVi6M0

3 Paul Farhi, "Allbritton Communications slashes staff at reorganized TBD.com," Washington Post, Feb. 23, 2011. http://wapo.st/g8XcRa

4 Rafat Ali, "Politico Crushing It On Revs, Profits In Fiscal '09; Changes Ownership Structure," paidcontent.org, Jan. 4, 2010. http://bit.ly/eMimy7

5 Michael Wolff, "Politico's Washington Coup," Vanity Fair, August 2009. http://bit.ly/eyx79Y

6 Paul Farhi, "TBD.com making its move into the crowded market of local news," Washington Post, Aug. 7, 2010. http://wapo.st/hTwEAG

7 Main Street Connect, "Community News." http://bit.ly/e4nfiB

[8] David Kaplan, "AOL Buying Hyperlocal News Aggregator Outside.in; Will Align With Patch," paidcontent.org, March 4, 2011. http://bit.ly/fZBjsA; and Dan Frommer, "AOL Buys Outside. In, Less Than $10 Million," Business Insider, March 4, 2011. http://read.bi/eBKRaJ

[9] Ken Auletta, "You've Got News," New Yorker, Jan. 24, 2011. http://nyr.kr/eLd7Qn

[10] Robert G. Picard, "Journalism, Value Creation and the Future of News Organizations," Joan Shorenstein Center on the Press, Politics and Public Policy, Spring 2006. http://bit.ly/ep2ufT

[11] David Saleh Rauf, "Dispatches from the Last Frontier," American Journalism Review, December/January 2011. http://bit.ly/fpMpLF

[12] comScore, "The New York Times Ranks as Top Online Newspaper According to May 2010 U.S. comScore Media Metrix Data," June 16, 2010. http://bit.ly/ecqJ37

[13] Michele McLellan, "Block by Block: Building a new news ecosystem," Reynolds Journalism Institute. http://bit.ly/kIjVwv

[14] Anthony Tjan, "DailyCandy's Accidental Entrepreneur: An Interview with Dany Levy," Harvard Business Review, Oct. 14, 2009. http://bit.ly/fmnRzD

[15] Peter Kafka, "Comcast Buys DailyCandy For $125 Million," Business Insider, Aug. 5, 2008. http://read.bi/fg6zNh

[16] Dennis K. Berman and Julia Angwin, "Former AOL Official Pittman Puts Web Firm Daily Candy Up for Sale," Wall Street Journal, Feb. 15, 2006. http://on.wsj.com/gRMprr

[17] Anthony Tjan, op.cit.