



## **The Jury is Out: The *Long Beach Post* and Online Local News**

In August 2006, two young men in Long Beach, California, had an idea they thought was pretty crazy: start an online newspaper. With a few hundred dollars from each, Robert Garcia and Shaun Lumachi in February 2007 launched the *Long Beach Post* (LBPOST.com) to serve the coastal community of some half million. Those were early days for new ventures in online hyperlocal media, and the duo were confident that with quality content, citizen contributors, and good sense, they could make a meaningful contribution to civic life.

The next four years brought multiple experiments and lessons. Lumachi took prime responsibility for the technology, while Garcia ran editorial. They quickly learned that they needed a plan and, in spring 2007, devised a short list of goals which, for the first time, aspired to position the site to earn enough revenue to at least be self-sustaining. In September 2007, they hired a managing editor to allow the entrepreneurs to focus on strategy and ad sales. In March 2008, they started a dedicated sports website, LBPOSTsports.com, to build readership. In May 2008, Garcia left the day-to-day operations of the *Long Beach Post* to run for City Council and Lumachi assumed sole operational control. In early 2009, an angel investor contributed \$75,000 to the venture.

But by November 2010, Lumachi's situation continued to be daunting. Although the *Post* boasted impressive growth in readers (63,000 monthly unique visitors), and had won awards for the quality of its content, it continued to lose money—more than \$100,000 over four years. While the operation was finally breaking even in some recent months, and losses were declining, revenues were not \$25,000 per month, as planned, but \$3,000–\$5,000. To economize, Lumachi in spring 2010 had folded the sports site back into the main news operation. He had cut costs where he could. He had hired a fulltime sales manager to maximize revenues—and put him on commission.

On the side, Lumachi ran a consulting business, which both paid his own bills and allowed him to invest his own money into the *Post*. But this strategy was unsustainable. His most pressing need was to identify and pursue reliable sources of revenue. There were options: he could boost advertising; he could seek individual donors; he could host fundraising events. Lumachi was sure there was a winning strategy to discover. The question was: what would it look like? Would he find it before his money, and his stamina, ran out?

**“Let’s start a newspaper!”**

It all began with an email in August 2006. Garcia messaged Lumachi: “Hey man, I have a crazy idea. Let’s talk.” Lumachi: “What’s the idea?” Garcia: “Not over email. Call me.” Lumachi: “Can’t talk. Just tell me over email.” Garcia: “Let’s start a newspaper!” The 28-year-old Lumachi had started a consulting firm in 2004 after two years working for the Long Beach Area Chamber of Commerce. Garcia, 29, had earned a master’s in communication at the University of Southern California and was working for Vice Mayor Frank Colonna. They had worked together on Colonna’s failed 2006 campaign for mayor, Garcia as campaign manager and Lumachi in charge of the campaign website.

The two had first met in 1999 as undergrads. Lumachi had attended California State University in Sacramento, where in 2000 he served as chairman of the California State Students Association—essentially the president of the California State University system student body. Garcia was president of the Associated Student Body at California State-Long Beach. The two discovered that they shared interests in politics and public policy, news and information, technology, and community activism. When they crossed paths again in 2002, Long Beach in southern California was home to both.

It was an exciting time to launch an online, local news website. Mainstream media, as it was called, was in crisis. Dozens of newspapers and broadcasters across the nation had closed their doors in the face of declining circulation and steep revenue losses from advertising cuts. The Internet offered for free the content for which most major print media had charged, and no one had yet figured out how to earn as much from online readers as had once been generated by print readers. Nonetheless, start-up news websites—without the fixed costs of an established print publication—were growing in number across the country. In 2006, one of eight US residents was served by a community news website, or what Lisa Williams, founder of placeblogger.com, called a “place blog.”

*Long Beach.* Neither Lumachi nor Garcia was a practicing journalist, but each had a commitment to Long Beach and its civic health. “I loved the city,” says Garcia, who felt it was underserved by existing Los Angeles-centric media outlets.<sup>1</sup> For their news website, they had a straightforward, if ambitious, goal: “revolutionize and redefine” local media in Long Beach. Both knew journalism was changing dramatically and rapidly. As Lumachi would say later:

Nothing could be more inaccurate than to say that news is dying. It is changing, drastically. It is evolving, and it is up for grabs. Nowhere is that more apparent than right here in Long Beach, with a 100-year-old

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<sup>1</sup> Author’s telephone interview with Robert Garcia on December 1, 2010. All further quotes from Garcia, unless otherwise attributed, are from this interview.

newspaper, a thriving weekly community newspaper, a few magazines, and several websites coming into the picture.<sup>2</sup>

Long Beach, outside Los Angeles, was home to nearly half a million. It was known for tourist attractions such as the Queen Mary, the Aquarium of the Pacific, and the annual Grand Prix race through city streets. It was the 38<sup>th</sup> largest city in the US and fifth largest in the state.

Long Beach belonged to a complex, robust, and fragmented media market. In broadcast, it was part of the Los Angeles TV and radio Designated Market Area (DMA), the second largest in the country. It included seven VHF stations and nearly 100 over-the-air radio stations. On the print side, it lay in the middle of the dominant *Los Angeles Times* circulation area. In addition, Long Beach had its own daily newspaper, the *Long Beach Press Telegram*, owned by Dean Singleton's Media News Group.<sup>3</sup> The city also boasted several weekly newspapers (MediaNews properties since 2004), two local magazines, and a variety of online special interest and community news websites.

Lumachi and Garcia figured that with a minimal investment and a lot of elbow grease, they could become players in the online, hyperlocal news marketplace. Neither intended to give up his day job. Their goal was not to make money, but to offer a community service. They aimed to create an archive of community information, a place where community leaders and thinkers could gather and communicate and participate. Garcia hoped that the site "could be a chronicle of the city that will live on forever."

## Early Days

Both men contributed a few hundred dollars each to create the website. In August 2006, they sketched out what it might look like. As it happened, their drawing strongly resembled Politico.com, a three-column, Washington, DC-based website they both admired. But the threecolumn design, they realized, was too ambitious. They decided to "keep it simple," says Lumachi—a two-column spread, one for navigation and one for news.<sup>4</sup> For content, they planned to use a mix of community writers, unpaid professionals and paid freelancers. They would call contributors "posters." In the early winter, they resorted to a no-frills recruitment strategy: they invited potential writers to a dinner and asked if they would join in the community experiment. Garcia would write a political column.

*Launch.* On February 13, 2007, they formally launched the *Long Beach Post*, an online local news website with the URL LBPOST.com. There were six contributors. Garcia was responsible for editorial content. To encourage more participation, he posted an invitation on the home page for anyone to contribute articles. As for readers, the founders asked them to join in a "great new media experiment." They elaborated:

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<sup>2</sup> See Shaun Lumachi talk about the future of the news industry:

[http://www.youtube.com/watch?feature=player\\_embedded&v=FPdTSUbN3ms](http://www.youtube.com/watch?feature=player_embedded&v=FPdTSUbN3ms)

<sup>3</sup> The newspaper, once part of the defunct Knight-Ridder newspaper chain, had merged with the *Daily Breeze* from nearby Torrance.

<sup>4</sup> Author's interview with Shaun Lumachi in Long Beach, California, on July 1, 2010. All further quotes from Lumachi, unless otherwise attributed, are from this interview.

The *Long Beach Post* intends to revolutionize how you access community opinions and news... We hope to become the primary source of independent reporting and commentary on local, regional, statewide, national and international issues impacting Long Beach.<sup>5</sup>

But within weeks, the shortcomings of their model emerged. While Lumachi and Garcia had not set out to run a business, they quickly understood that their original vision had been missing some key elements. “Reality set in,” recalls Lumachi. “We [were] not creating a community service anymore. We [were] creating a business. And a business takes money, and we had to figure out how to make that happen.” By April 2007, they realized they needed at the very least to set some goals.

### **Business 101**

“We launched in February, and two months later we said to ourselves, what are we doing? We need to figure this out,” recalls Lumachi. They decided to select five goals they could reach by December 31, 2009—giving them a little under three years to prove the viability of their project. They knew they could not afford to address all at once, but listed them anyway. The goals were:

**Traffic:** 5,000 online visitors per day and an email listserv of 50,000 addresses

**Revenue:** \$25,000 per month in gross advertising

**Staff:** a full-time editor

**Technology:** an automated website

**Financing:** sell the business, or seek investors

*Website.* Their most urgent need was for an improved website. The distribution system for their news was primitive, and Lumachi had found himself working through the night, every night. Garcia coordinated with the writers, who emailed in their stories in the evening. Garcia edited them, and emailed them on to Lumachi by midnight. Lumachi elaborates:

I would wake up at 3:30 am and build every single page by about 5, and then I’d send an email alert to a few thousand email addresses, which could take up to four hours.

Lumachi could not afford to spend so much time on technology; selling ads was a better use of his time. The site needed a platform that could incorporate written contributions easily, load them without human intervention, and deliver the product to readers automatically—in short, a custom Content Management System (CMS).

Rather than simply purchasing an off-the-shelf system, in April they retained local developer Ryan Smolar of SMOLARCORP to build a proprietary system. Smolar was a friend of Garcia and Lumachi’s. Smolar designed the CMS to handle both editorial copy and advertising copy. For

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<sup>5</sup> For a copy of the original *Post* web page, see: Ryan ZumMallen, “LBPOST.com At Three Years,” *Long Beach Post*, February 8, 2010, <http://www.lbpost.com/ryan/8265>.

editorial, a writer at a press conference, for example, could write a story, log into the system from his cellphone, and load the story onto the CMS within minutes. An editor would receive an email alert that a new piece was waiting, and s/he could modify the story on a phone, and make it live remotely. Finally, the CMS made it easy to load advertising content.

The CMS was completed in September 2007. For his services, Smolar charged \$3,450, and the *Post* in addition paid \$69 for its domain name, and \$45 for web hosting. Total 2007 website costs thus totaled \$3,564.

*Revenues.* The two entrepreneurs also early turned their attention to advertising. Ads, they were learning, constituted the site's lifeblood. They could not afford to pay even the minimal costs they were incurring without regular revenue. At first, Lumachi took on the role of advertising sales manager. With no experience and little time to devote to sales preparation, strategy, and prospecting, he did what he could. Advertisers, he learned, had trouble understanding the value of a local community online news site as a place to attract new customers. Once he had an advertiser on board, the company generally renewed. But the first sale was tough.

For nearly two years, Lumachi handled sales on his own. Finally, in December 2008, he hired his first professional salesperson—a part-timer paid on commission—and hoped that the professional could do better than he had.

## Quality content

Staffing was another pressing concern. Lumachi and Garcia were learning the hard way that without good staff, good content was at best hit-and-miss. Reliable “posters” were hard to find. Lumachi had hoped that hundreds of “citizen journalists” would contribute local news stories. But while many people had said they wanted to get involved, only a fraction of those actually followed through. So in September 2007, the *Long Beach Post* hired as managing editor Ryan ZumMallen.<sup>6</sup> ZumMallen in short order began to turn out more than five stories a day, which attracted more than 85 percent of the site's readership.

Lumachi and Garcia also had to learn how to recruit and manage their contributors— which sometimes meant firing them. Some were freelance writers, who earned \$300 or so per month. But most were volunteers, with widely varying skills. Recalls Lumachi:

In the old days, when we fired a poster it was a month-long emotional process for Robert [Garcia] and me to figure out how we would do it, because it was a personal relationship... I remember when we first started, we would get into heated debates [when] we knew we had to fire somebody.

With time, they devised a system that worked. On a quarterly basis, they reviewed how often a particular poster had contributed and compiled a database on writer productivity and reliability.

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<sup>6</sup> ZumMallen would earn a degree in print journalism from Cal State-Long Beach in 2008.

Then once a year, they went on a recruiting binge to find new writers to replace those who were not living up to expectations. “Today, if they are not writing, they’re gone,” says Lumachi. Typically, they worked with some 12–15 writers at any given time (for a total 35 writers in the first three years).

*LBPOSTsports.com*. In early 2008, Lumachi and Garcia also made a strategic decision: to provide more content on a subject of consistent local interest—sports. Local sports events reliably attracted a devoted following. While there was an economic dimension to their decision, they also thought that providing breaking coverage of high school and community sports would make a significant contribution to the local news scene.

Consequently, in March 2008 they launched a new, subsidiary website: *LBPOSTsports.com*.<sup>7</sup> With the expansion, Lumachi took the title of publisher of the original *Long Beach Post*, while Garcia became publisher of the new sports site. Two leading local sports writers were hired as co-managing editors—Mike Guardabascio and J.J. Fiddler.

With an average five stories a day to their credit, the two sports writers were impressively productive. “We began providing game scores and analysis for all local sports—from high school basketball to collegiate tennis and everything in between,” says Lumachi. Guardabascio and Fiddler hosted *SportsNight*, a weekly Internet podcast talk show. They distributed video of major sports events, especially high school football games, through YouTube.

Results were not long in coming. Visitor traffic to the website improved steadily. Both editors won the Keith Cordes Award, given by the Long Beach Century Club, for best promotion of the city through sports. The sports site contributed to the visibility of *Long Beach Post* in general. “In terms of breadth,” says Lumachi, “no one compared. You couldn’t pick up any [other] publication in Long Beach and read about a table tennis tournament in high school.”

But in December 2008, the *Post* experienced a significant change. Garcia announced that he was going to run for City Council in the April 2009 election. He felt that continued daily association with the *Long Beach Post* could be seen as a conflict of interest, and therefore would step down immediately.<sup>8</sup> The *Post* also announced that it would not cover the campaign or any candidate, including Garcia.<sup>9</sup>

Garcia’s departure left Lumachi on his own running the day-to-day operations.

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<sup>7</sup> For a video of the announcement, see: [http://www.youtube.com/watch?v=gfN6e\\_X7JDo](http://www.youtube.com/watch?v=gfN6e_X7JDo)

<sup>8</sup> Garcia retained his ownership interest, but pulled out of daily management. He won the election and, a year later, reelection.

<sup>9</sup> Ryan ZumMallen, “Garcia Leaves LBPOST.com, Site Will Not Cover Council Campaign,” *Long Beach Post*, December 5, 2008, <http://www.lbpost.com/specialreport.php?id=1&item=1878>.

## Breathing space

Lumachi spent much of late 2008 looking for funding. There was interest from a local media company in buying a stake in the *Post* but, in the end, no action. Instead, in early 2009, the individual who had tried to broker the investment deal decided to take a position himself. He committed \$75,000 to the enterprise.<sup>10</sup> In return for the infusion of cash, the investor took a 20 percent interest in the company.

That led to a separate negotiation between Lumachi and Garcia. Lumachi, as the sole founder still working at the site daily, did not feel it was fair that the two continue to split ownership equally (now 40 percent each). The two finally agreed that Lumachi would take 55 percent and Garcia the remaining 25 percent.

The funding was providential. Lumachi could concentrate on expanding content and improving technology. In early 2009, he commissioned a redesign of the website to achieve a more coherent “look and feel.” For 2009, the *Post* paid SMOLARCORP \$16,825 to improve the site’s graphics and its interface with users, increasing the format to two columns and upgrading the search function. It was an expensive project for the start-up, but Lumachi considered it essential.

Lumachi was grateful for the breathing space that the investor’s money permitted. Surely with better content and the new web design, visitor traffic would increase and revenues would follow. The new money coincided with hiring the professional ad salesman, which should also pay off.

But his hopes proved overly optimistic. In July 2009, Lumachi realized that the investor’s cash would run out by September or October. The necessary additional revenues had not materialized. He was unsure where else to turn. He realized that, despite setting five goals two years earlier which included target revenues, he had not focused enough on the business side of the enterprise. He reflects:

Some of the responsibility rests on my shoulders. I became very comfortable with the idea that that investment money was there and accessible, and so “next month will be better.” And the following month will be better, and then the third month will be better. It never got better...

The *Post*’s advertising price structure was admittedly complex. Its rate card offered nearly 30 different price points, with multiple options for banner ads and page positions. Prices ranged from \$150 to \$750.<sup>11</sup> There was the added difficulty that, even in 2009, most advertisers could better understand the value of a print ad than an online one. Somehow a tangible print product seemed more concrete—and inherently more effective—than an online banner ad. Salespeople for online

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<sup>10</sup> *Long Beach Post* prefers to keep the identity of the investor confidential.

<sup>11</sup> The *Post* did not use the most common method for pricing Web advertising—CPM, or cost per thousand impressions (how many times readers view an ad). Another measurement tool was CPC, or cost per click. In that case, advertisers paid when a reader clicks on their advertisement. Google was a prominent user of this method.

products had to convince advertisers first of the value of online marketing, then of the value of their particular website. But *Long Beach Post* was having trouble with sales.

### **Chris Foster**

In early July 2009, Lumachi lost his sales person—unable to survive on the paltry commissions. The employee had lasted barely six months. Lumachi remembers:

We were a startup and we needed somebody who was dedicated to the point where they would sacrifice their personal life... I was that person for the first two years, but considering everything else that I was doing, including my other company, [it was lucky that] I didn't have a heart attack.

In desperation, Lumachi picked up the phone to call an old friend. Christopher Foster was living in northern California and selling cemetery plots. Lumachi told his friend that if he would exchange selling graves for selling ads, Lumachi would pay him a base of \$2,000 per month plus 25 percent of any gross sales revenues over \$10,000 a month. He told Foster that he would charge him \$500 a month to live in available space at the office and that Lumachi's wife would make him dinner every night and even do his laundry. The inducements worked; in late July, Foster moved down to Long Beach.

The first step Foster took was to further develop the idea of treating advertisers as "sponsors." The goal was to deemphasize the cost of reaching a reader, in which a small operation was not competitive, in favor of other values like community involvement and investment. The sales pitch became less about metrics and more about selling the Long Beach community, as well as the quality, loyalty, and exclusivity of the *Long Beach Post* audience. By advertising in the *Post*, an advertiser demonstrated a commitment to the Long Beach community, or so Foster argued.

The *Post* in July 2009 also launched UPost, an e-commerce hub for readers to buy, sell, rent, and shop locally. But increasing revenues was only half of the challenge. Simultaneously, Lumachi took a hard look at containing costs.

### **Managing costs**

By late 2009, Lumachi was already questioning how much the new sports site really benefited the organization. Granted, it generated thousands of visits, had won awards, and attracted considerable attention to *Long Beach Post*. The sports staff attracted 25 percent of the overall readership of the two websites combined—an impressive tally. But the overwhelming majority of advertising appeared on the main site, not on LBPOSTsports.com.

At the same time, the site was draining resources—an unsustainable situation. Lumachi had already been using his own money to subsidize the site: \$25,000 since the investor's funds ran out. Each sports journalist made \$750 a month—which was at once less than each deserved and more



than the enterprise could afford. So although they produced some of the best sports coverage in Long Beach, it was a failing proposition from the business standpoint. Remarks Lumachi:

The challenge with our sports site was that it was the right idea at the wrong time in our growth. We weren't ready for two outstanding managing editors of their capability and potential. They were overqualified and under-compensated, and they overproduced. Sometimes they produced over 10 stories a day.

Lumachi, working through possible options, considered allowing the two sports editors to take over the business side of the sports site. To compensate for the time they would lose from editorial, he suggested that they, too, turn to "posters" – tested volunteers who would contribute copy. He envisioned that Guardabascio and Fiddler would split their time, 20 percent on selling ads and 80 percent on reporting. If the two managing editors could sell their own advertising and be responsible for their own finances, that would lighten the burden on the main site.

So from March to June 2010, the editors tried that. They also were supposed to work with Foster to sell sports ads (he would retain a percentage). But neither strategy worked. The two editors "were very focused on the articles being something that they created," recalls Lumachi, and finding the time to work the business side became unrealistic.

Finally, in June 2010, Lumachi took the difficult decision to reabsorb LBPOSTsports back into the primary website. The two sports editors left to join a competitive news organization. The consolidation – with savings in salaries and production expenses – reduced costs significantly. "The sports site was part of our growing pains," notes Garcia. Lumachi adds: "I don't regret any decisions I have made, but in hindsight I could have moved quicker to cut costs."

## **Taking stock**

In February 2010, Lumachi had taken a moment out of his crowded schedule to write a letter to readers commemorating the website's third anniversary.<sup>12</sup> First, he reported the good news—site visitors per month had grown steadily year on year, from 15,830 in 2007 to 17,784 in 2008; 49,460 in 2009; and 81,130 as of early 2010.<sup>13</sup> That was nearly a doubling in the last year alone, and gave the *Post* an audience equal to 25 percent of the *Press-Telegram*, the community's dominant local news source. Moreover, Lumachi predicted that within five years *Long Beach Post* would take first place for local news, for three reasons: it invested in professional *and* citizen journalists, it embraced new technology, and it could be nimble in covering the news.

Lumachi's optimism seemed on track when mid-2010 traffic reports came in. As of June, combined traffic for the *Post* and LBPOSTsports.com stood at 45,000–65,000 unique visitors (as opposed to visitors in general) per month, while monthly page views ranged from 112,000– 170,000.

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<sup>12</sup> Ryan ZumMallen, "The Future of the Long Beach Post" *Long Beach Post*, February 10, 2010, <http://www.lbpost.com/ryan/8323>.

<sup>13</sup> These numbers were generated internally and have not been reviewed by an independent auditor.

The *Post* was also developing a presence in social media, with 1,000 Facebook fans and 1,390 Twitter followers by September 2010. Nonetheless, Lumachi continued to refine the model.

*Refinements.* In the fall, he put Foster on a straight commission, with no base salary. He was confident Foster had built enough business that he would earn a good minimum and hoped this new arrangement would create additional incentive to keep adding customers.<sup>14</sup> Lumachi considered adding a second sales person but took no action for the moment.

Lumachi and Foster decided in fall 2010 to reduce the number of ad positions on the website. Under the new system, five fixed advertising spaces on the right-hand side of the site featured rotating ads. Moreover, each advertiser got visibility not only on the homepage, but on every article. The fixed positions across all pages looked more like a sponsorship than merely a banner ad. In addition, there was space in the body of each individual article for another sponsor's banner ad. Finally, the *Post* created two banners flanking the website's title on the home page, which it could sell separately.

The two executives also simplified the rate card. Instead of requiring 10 pages to explain the options, the rates were easily displayed in a two-page rate card. The changes allowed the *Post* to raise prices for each position because the advantages of each were easy to understand: the higher on the page the ad, the more it cost. Rates went up from a range of \$100–\$750 a month, to a range of \$350–\$1,250 a month.

In another initiative, the *Post* improved its daily newsletter, or e-alert, by adding advertisements at the top and bottom of it. By late 2010, the email went to some 20,000 subscribers. The newsletter served two purposes: it alerted readers to new content, driving traffic to the web site, and it helped to generate ad revenues. The newsletter went out twice a day and offered two advertising spaces—one at the top and a second at the bottom of the email.

Meanwhile, Lumachi had started to look closely at the potential for adopting some of the revenue-generating strategies employed by other online news start-ups: live public events for a fee; or contributions from readers. The news site already had several annual features which might be reconfigured as fundraisers: Long Beach Person of the Year, or 10 Most Powerful People in Long Beach. Moreover, the site held an annual reception for readers, but had so far made no attempt to use the event to raise funds.

Lumachi also considered adding Google™ AdSense (a free service that paid online publishers to run cost per click ads relevant to the web content) to produce more revenue. In the meantime, he hoped to better publicize UPost, the e-commerce site, to increase its use by readers. UPost thus far had not brought in much revenue, says Lumachi, "mainly because we didn't promote

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<sup>14</sup> Foster also took another job, which he worked from 3 a.m. to 8 a.m., arriving at the *Post* from 8 a.m. to 2:30 p.m.

it. We didn't really explain what it was." He intended to change that. Partnerships with other local news outlets were another possibility.

By October 2010, Lumachi had cause for guarded optimism. He acknowledged learning some painful lessons over the preceding four years: that business success and sustainability required a quality editorial product to attract and retain readers, but also a proper balance between costs and revenues. For his part, *Post* Editor ZumMallen felt the basic strategy was on track:

Our own experience has taught me that there is a market for legitimate journalism because of the way our own traffic has spiked in the short amount of time that we've been around. We've developed a trust and credibility in the community that places us right up there with the other legitimate news sources in the city.

Garcia, while no longer at the *Post*, was likewise proud of its achievements. "The *Long Beach Post* is one of the most read, most respected and talked-about publications in the city. It has been a massive success from a community service point of view," he says. But, he adds, "from a business perspective, it is still finding its way." Lumachi, still in the trenches, took a fighting stance. He says:

I have had 500 times that I wanted to give up. And the only reason why the *Post* is here today is because everyone on the team never gave up. That's it. We never give up. That is the secret.