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Patch Rebounds After Split From AOL

'Hyperlocal' media service enjoys traffic boost and profits after 'hard reset'



PHOTO: PATCH

By
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On the morning of Jan. 29, 2014, "hyperlocal" online media service Patch employed nearly 540 people. The following day, just 98 remained.

Turnaround specialist Hale Global had purchased a majority stake in Patch from AOL, and initiated what it called a “hard reset,” which included hundreds of layoffs. The plan was to overhaul Patch’s business and install what it had lacked previously: a sustainable business model.

“Our job was to fix what made this such a money-losing business,” said Hale Global Chief Executive Charles Hale.

Fast-forward two years, and Hale Global says its turnaround efforts are bearing fruit. Patch attracted over 23 million users in January, according to internal data, up from 10 million in August 2014. What’s more, the company says it’s profitable and plans to expand in 2016.

Patch’s network now consists of over 900 community-specific sites in 23 states, featuring everything from local news and weather updates to announcements from local schools. It employs a total 125 full-time staffers.

“In January we will do more traffic with 70 full-time editors than AOL did with 700 for most of 2013,” said Warren St. John, Patch’s editor-in-chief.

Patch’s internal traffic numbers don’t tally with those of comScore, however. The measurement specialist estimates around 7 million users visited the network in December 2015, compared with nearly 15 million in December of 2013. According to Mr. St John, the discrepancy can be explained by comScore’s panel-based methodology, which fails to accurately reflect traffic to hyperlocal sites.

AOL and its chief executive, Tim Armstrong, who helped found Patch before joining AOL, faced criticism for their handling of the venture. The network failed to generate enough ad revenue to maintain its local reporting and ad sales staff, and between the time it purchased Patch in 2009 and sold a stake in 2014, AOL said it lost \$200 million on the property.

Mr. Armstrong famously fired the creative director of Patch in the middle of an internal conference call about cutbacks at the operation in 2013.

AOL now owns “slightly below 50%” of Patch, according to Mr. Armstrong. AOL was acquired by [Verizon Communications](#) Inc. last year.

Hale Global is now running Patch independently, with some strategy support from AOL.

“They’ve been excellent operators and innovated and rebuilt the platform,” Mr. Armstrong said, adding, “The local marketplace remains a big opportunity. AOL is supportive of Patch and it’s something we’re excited about”.

Mr. Armstrong suggested Patch has benefited from Hale Global’s ability to concentrate on the business more than AOL was able to.

“At AOL, Patch was only one of the areas we had time to focus on. Hale Group has brought a supreme focus on serving the local market,” Mr. Armstrong said.



ENLARGE

Patch's New York City office *PHOTO: PATCH*

From an editorial standpoint, Patch's mission remains relatively unchanged since its AOL days. But according to Mr. Hale, his company approached Patch with a specific plan to address the "fundamental problems of hyperlocal", with which AOL grappled. Two such issues are the cost of local content production, and the costs associated with selling advertising targeted to small, local audiences.

To that end, the company implemented various initiatives to help boost editorial efficiencies. It invested in technology and tools to help it understand which Patch sites generate the most traffic and reader engagement, and to move content more seamlessly between them.

"If hyperlocal is going to happen, technology is going to play a huge role," said Mr. St. John.

Patch has also been experimenting with the type of content it produces. Email notifications are now a large traffic-driver for many Patch sites, and account for around 20% of inbound traffic on a monthly basis. On Monday morning, for example, an email blast was sent to subscribers in Newport, Rhode Island alerting them that an anonymous threat had been made against a local school.

Patch has also made an effort to forge relationships with police departments, schools and other local institutions, to help them disseminate information to local communities.

Other big traffic drivers: Lost and found pets and elderly people.

"We're the Grateful Dead of the Internet," said Mr. St. John. "The rest of the Internet is searching for pop songs, but we're building an audience one gig at a time."

Facebook is another large traffic driver for Patch sites, although the company's data suggests around 62% of visits to its sites are returning visitors, which it said speaks to the loyalty of its audience. Some 70% of traffic to Patch sites now comes from mobile devices.

Patch sites also aggregate posts from social media sites such as Twitter and Facebook which are relevant to local communities, and operate bulletin boards to which users can post information about local events and other announcements.

Mr. Armstrong said this approach might help explain why Patch now generates more traffic with fewer editors than it did under AOL's control.

"The first version of Patch was very much local journalism, whereas the new version is more of a social, mobile and alerts platform," he said.

The strategy appears to be paying off, at least from a traffic perspective. Patch generated over 650,000 pageviews per editorial staffer in January 2015, compared with 116,000 pageviews per staffer in January 2014, according to Hale Global.

Those statistics are indicative of the data-driven approach that now appears to inform much of Patch's operations. The company has built tools to show editors and managers exactly which sites are hitting traffic targets or underperforming, and which locations are most engaged with Patch sites.

On the advertising side, Patch has been attempting to sell its ad space more efficiently. It no longer accepts direct ad buys worth less than \$4,000 each, for example, and is working on ways to better serve regional and national advertisers who want to reach local audiences. It's recently begun running sponsored content campaigns for advertisers such as BarkBox, a subscription service for dog products, and dance company The Rockettes.

The company said a third of its revenue now comes from direct ad sales, a third from display advertising sold through advertising networks and exchanges, and a third from relationships with other partners such as real estate companies.

Now that Patch is profitable, Mr. Hale said it plans to invest in other initiatives and distribution channels. It recently rolled out a new design aimed to work well with mobile devices, for example. On Monday, it opened two new metro-area "patches" covering Boston and Chicago.

The company is also working on a mobile app that it aims to release in the next few months, and has plans to publish to Apple's News app and to Facebook's Instant Articles service.

Patch isn't the only publisher chasing local audiences, of course. Local newspaper websites and blogs already exist for many town and regions across the country. Even so, Mr. St. John said he believes there's room for plenty of hyperlocal media.

"A lot of people have already abandoned hyperlocal, so there's a huge gap in the market," he said.

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