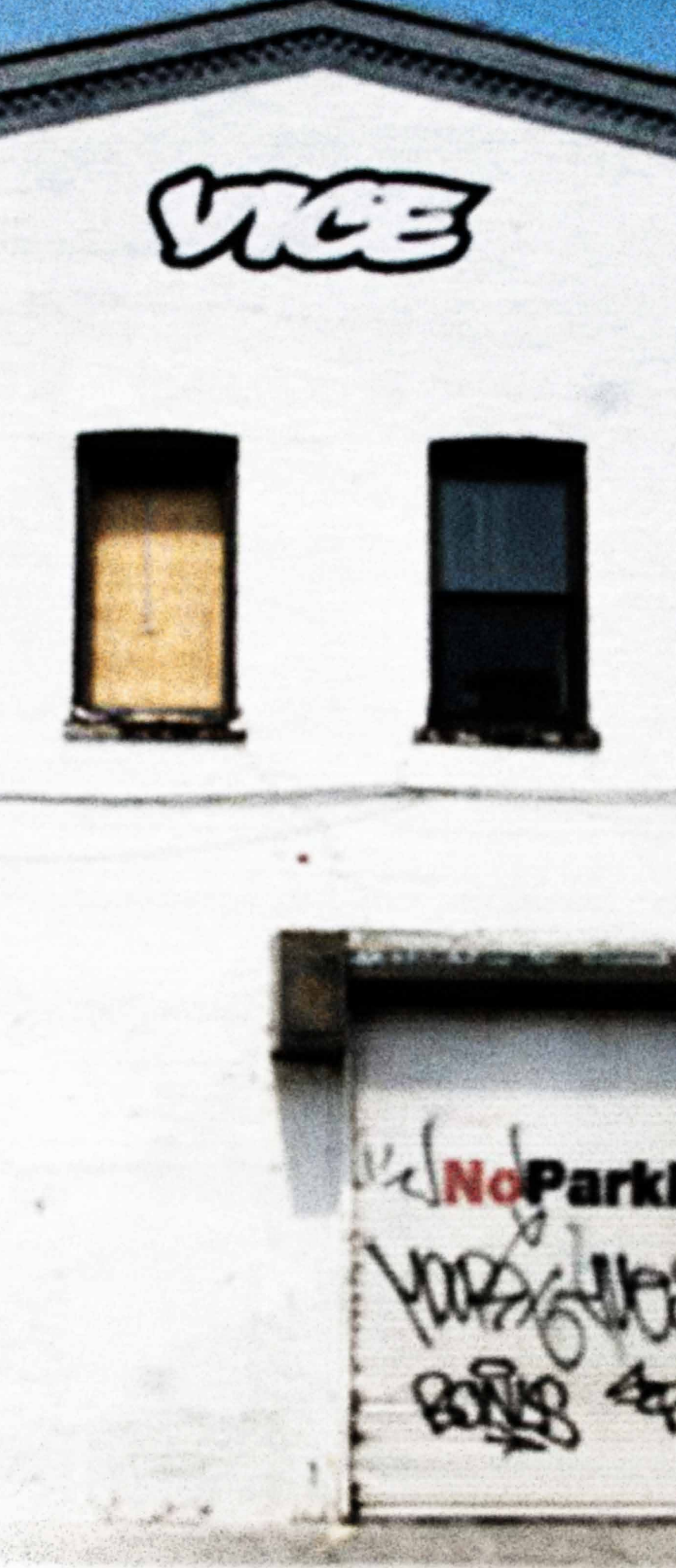


The New York





The Future of Media

**The Old
Gray Lady**
VS.
**The Bad
Boy From
Brooklyn**

By Lawrence M. Fisher



he most prestigious brand

in online news gathering? That's easy—The New York Times. The Old Gray Lady has made the transition from print to pixels with its preeminence intact. The most pugnacious? That's easy too—Vice Media. Though sometimes described as “more Jackass than journalism,” the Brooklyn upstart has achieved its own kind of prominence.

In many ways, these two are apples and oranges, but they are both looking for eyeballs and sustainable revenue streams, both searching for ways to grow in an uncertain media future. This is a challenge for all companies in a time of rapid change—legacy players, startups and upstarts alike. How do you maintain the values that define your brand and yet keep pace with the shifting digital landscape? The Times used to be a newspaper, Vice used to be a regional music magazine; now each is many things, yet must retain the characteristics that attracted audiences to their original forms or risk losing them.

Founded in 1851, The Times has won 119 Pulitzer Prizes, more than any other news organization. Counting print and digital subscriptions, The Times has the second-largest circulation in the United States, behind just The Wall Street Journal, and it has long been considered the “newspaper of record.” Its online edition, nytimes.com, recently celebrated its 20th anniversary, and ranks 23rd in page views in the United States, 102nd worldwide, according to Alexa, a web-analytics company owned by Amazon.

About the author

Lawrence M. Fisher spent 15 years covering business and technology for The New York Times from its San Francisco bureau. He wrote his first news story on a typewriter, still contributes primarily to print publications and, at 62, is well outside Vice Media's target demographic.

“What the long-term future holds for The New York Times and for Vice Media is, of course, a complete unknown in the ever-shifting digital world. But for now, both companies seem to be finding their way, albeit in different directions.”

Created in 1994 as a punk magazine titled *Voice of Montreal*, Vice adopted its current name in 1996, and has been based in Williamsburg, Brooklyn, since 2001. Vice Media moved into digital video in 2006, with VBS.tv. It has since expanded aggressively, launching programs devoted to technology, music, global news, food, sports and marijuana; providing video content for HBO, and most recently creating its own cable channel, Viceland. A self-described follower of the late gonzo journalist Hunter S. Thompson, Vice is best known for sending Dennis Rodman to North Korea to meet Supreme Leader Kim Jong-un. Alexa ranks its website 80th in the United States.

Vice’s hipster empire has clearly struck a chord with the 18- to 34-year-olds collectively known as millennials. As a closely held company, Vice does not publish its financial results, but it claimed \$1 billion in revenues last year. Co-founder and chief executive Shane Smith says it is profitable, and Vice has received funding from the likes of Fox and Disney that value the company at \$4 billion. In March, Vice announced an agreement to launch a TV channel on Sky in the United Kingdom and Ireland, part of an ambitious expansion strategy to start 12 TV channels across Europe over an 18-month period.

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“The New York Times actually has a model, although it is subject to all the forces of segmentation and atomization out there,” said Martin Nisenholtz, head of the company’s digital operations until last year and now a professor of digital communication at Boston University. “As long as it has a track to getting to maybe 2 million global digital subscribers, which it should be able to do, it has a viable model. It will be one of the few [print] brands which survives this period of time.”

As for Vice and its feisty CEO—who famously said in a *Fortune* interview that members of the Old Media “can all go to hell, quite frankly”—survival also seems assured. “Imagine if any other news organization had said we’re going to go out there and change the world, we’re going to do something totally different, but it actually worked as a strategy,” said Brian Weiser, an analyst with the Pivotal Research Group. “They’ve identified a different voice to take, and found different ways to deliver their product.”



All the News That's Fit to Digitize

In March 2014, The New York Times Company completed an internal report, "Innovation," that laid out the venerable news organization's strengths and weaknesses with remarkable candor. The report was leaked almost immediately, owing to a bit of the internecine strife for which the company has become known in recent years, most notably for the abrupt firing of Jill Abramson as executive editor in May 2014 and the naming of her chief deputy, Dean Baquet, as her successor. But whoever the disgruntled newsroom employee was, he or she provided an unusual public view of Times strategy.

Predictably, the report began by saying The Times was still the leader in producing great journalism, but it moved swiftly to the other side of the story. "At the same time, we are falling behind in a second critical area: the art and science of getting our journalism to readers," the report stated. "We have always cared about the reach and impact of our work, but we haven't done enough to crack that code in the digital era." The Times's reportage was as first rate as ever, the report said, but the paper lagged competitors in its digital presentation and promotion.

The report noted recent efforts by The Washington Post and The Wall Street Journal to remake themselves in a digital world; the embrace of best practices to grow readership at USA Today and The Guardian; and, no doubt most galling of all to Times leadership, the fact that aggregators like the Huffington Post and Flipboard often get more traffic from a Times story than the mothership does.

The first section of the report dealt with

strategies to get more readers reading more articles, a.k.a. “audience development.” The second section made specific recommendations for the digital era. “That means taking more time to assess the landscape and chart the road ahead,” the report said, “rethink print-centric traditions, use experiments and data to inform decisions, hire and empower the right digital talent and work hand in hand with reader-focused departments on the business side. These needs are all deeply intertwined—getting better at one will help all the others.”

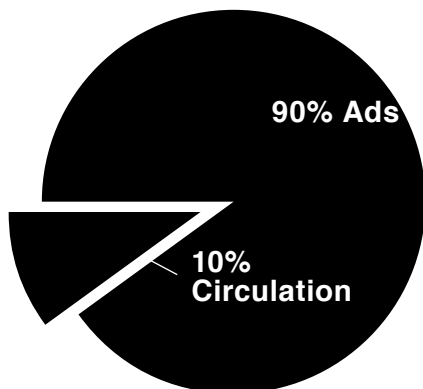
Times publisher Arthur Sulzberger Jr. claimed later that the leaking of the report was a good thing. Publication of the “Innovations recommendations was a wonderful wake-up call,” he said at a Hunter College colloquy on the “Future of The New York Times,” in June 2015. The report, he said, “was never written to be leaked.” But after only a few days, he added, “we realized the power of what had just happened, because people around the world embraced the fact that The Times had the courage to do a deep journalistic dive on itself.”

He was making lemonade, but the leak apparently prompted The Times to act more quickly than it commonly does. Sulzberger nearly immediately hired a senior executive for audience development. He also hired a new head of digital, who reports to both the editor, Baquet, and the chief executive, Mark Thompson. Both hires show that the leadership “gets it,” particularly regarding self-promotion. Times reporters have historically felt their job was done when their editors hit “publish.” Online reporters know that’s when their job begins. Then comes all the tweeting, Facebooking and other social media.

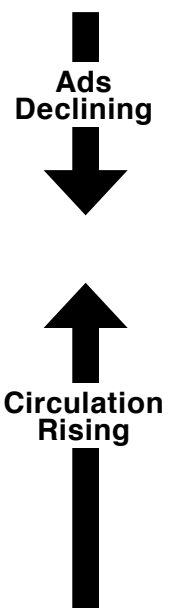
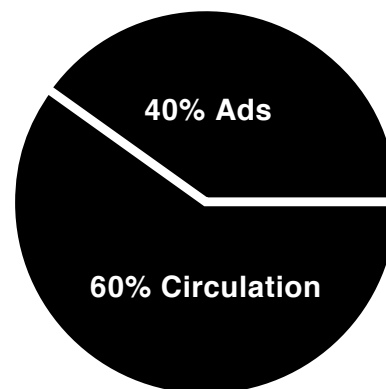
One audience member at the Hunter College event raised a thorny issue for The Times. Whatever you do, he said, make sure the online edition keeps the look and feel of the printed paper. That’s exactly what the paper has done, and herein lies a classic innovator’s dilemma. Facing a bunch of startups of dubious

A Shift in Revenue at The Times...

Historical Revenue Model:



Today's Revenue Model:



quality, incumbents tend to dig in and do what they've always done best. Meanwhile, the upstarts get better, and slowly at first, rapidly later, take market share from the established player. Once this process gets rolling, it's almost impossible to stop.

Times managers well know how Apple vs. IBM turned out, and have taken steps to improve their online presentation. The company has been through multiple waves of layoffs and buyouts, yet the population of the newsroom remains about the same, because it is now filled with legions of young programmers, videographers and other digital talent. The cubicle-filled floors of the Renzo Piano-designed Times building, which opened in 2007, feel more like a Silicon Valley software firm than the Runyonesque warrens of its old home on West 43rd Street.

The Times was the first print paper to hit the magic one million mark for paid online subscribers, in August 2015, and these readers pretty much cover the \$200 million estimated annual cost of the newsroom. The Times generates 100 million Web and mobile visits per month. Along the way, it purchased the 50 percent of the International Herald Tribune that it didn't already own, and renamed it the International New York Times, another part of its strategy to become a truly global brand, both online and in print. Revenues historically were 90 percent advertising, 10 percent circulation; now the numbers are 60 percent circulation, 40 percent advertising, with circulation continuing to rise while advertising declines, a remarkable shift.

At the same time, home print subscriptions remain stable, although newsstand sales have declined, Sulzberger said. Once subscribers have been with the paper for two years, they tend to stay for life, he said, and the paper will continue to serve this audience with print copies as long as it can.

Although sanguine about The Times's future, Nisenholtz said he fears for the metro papers that lack national or global audiences. "It's the big metros where the media crisis is, in Chicago, in Philadelphia," he said. These once-great papers struggle to attract paying digital subscribers. "I had been saying that for papers with loyalty in their communities, people would step up and pay, and people said it was hopeless, and I guess they were right. I haven't seen that anywhere, to support the kind of newsroom The Boston Globe or The Philadelphia Inquirer used to have."

Nisenholtz said that The Washington Post and, to an extent, The Boston Globe represent one model, the billionaire savior. Amazon's founder and CEO, Jeff Bezos, bought The Post in 2013 and the paper has been enjoying a rebirth, particularly on the Web and with mobile. John Henry, a businessman whose other holdings include the Boston Red Sox, purchased The Globe from the Times Company, also in 2013. "The L.A. Times could be next, if the Tribune Company decides to sell to Eli Broad," the Los Angeles-based entrepreneur and philanthropist, Nisenholtz said. "That's a model. It's almost like a sports team. But billionaires can get bored, and then the support isn't there anymore."

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Go There and Press Record

Vice Media hasn't commissioned a study of its strengths and weaknesses, as far as we know. But Shane Smith is such a constant at confabs and conferences, or talking it up on TV with the likes of Charlie Rose and Stephen Colbert, that his vision of the future is anything but secret.

Here he is talking to Ryan Lawler at Techcrunch in May 2014: "How I remain authentic is by not being a journalist. I think if you look at the failure of journalism in the modern age, then I don't want to be called a journalist. If you look at Iraq, the invasion of Iraq, 'weapons of mass destruction, Saddam Hussein is aiding Al Qaeda.' Everybody with half a brain knew Saddam Hussein wasn't aiding Al Qaeda. They were a secular regime; they were at odds with each other. If that's journalism, they can have it. What we do is we immerse ourselves into a story, we come at it from a documentary filmmaking standpoint, where we get into the story and we press 'record.'"

That may be a lightly veiled dig at The Times, whose reporter, Judith Miller, was forced to resign after her stories about Hussein's weapons of mass destruction were found to be based largely on misinformation provided by Ahmed Chalabi, a former Iraqi politician in exile. (Although President George W. Bush and Vice President Dick Cheney did say that Hussein had aided Al Qaeda, The Times played no particular role in promulgating that linkage, which has been discredited.)

There is no love lost for Vice at The Times, or at other Old Media companies. "The problem with 'Vice' isn't its insistent aggrandizement but its excessive softheadedness," wrote Mike Hale in The Times in April 2013, when Vice premiered on HBO. "It's journalism at the intersection of shallow and gullible, where they meet, high-five and compare tattoos. We get ride-alongs and interviews, though precious little information. The report from the Philippines contains one unsourced statistic about political killings but no discussion of the effects of poverty or the legacy of American colonization." And earlier this year, an article in The Washington Post said that at times Vice "has blurred the lines between reporting and advertising," a charge that Vice disputed. (Vice did not respond to a request for an interview from Briefings.)

To be fair, Vice isn't trying to replace The New York Times or other Old Media; it has other ambitions. "I've said I want to be the next ESPN, the next CNN and the next MTV rolled up into one," Smith told Fortune in October 2013. "Well, everybody says,



Shane Smith:

"How I remain authentic is by not being a journalist. I think if you look at the failure of journalism in the modern age, then I don't want to be called a journalist."

Where the Money Is

‘He’s a megalomaniac lunatic.’ If you look at the numbers you can do on YouTube, if you look, for example, at Machinima [an online video network for gamers] with 3.5 billion views a month, you wouldn’t be the next CNN. You would be the next CNN 10x.”

Not everyone thinks the 46-year-old Smith is off the mark.

“They’ve been able to translate success at a small scale to an ever bigger scale, from magazine to web to cable to now, a cable network,” said Brian Weiser, the analyst with Pivotal Research. “One helpful thing about being a private company is people really don’t know how well you’re doing. But they’re doing well enough to convince others to give them capital.”

This is not a zero-sum game. The Times and Vice can prosper simultaneously, just as The Times has survived alongside Fox News, CNN and MSNBC. It’s also possible that neither represents the future of journalism, that both represent a digital gloss on a legacy publisher—print for The Times, cable TV for Vice.

Journalism’s future might look like BuzzFeed, which began as an aggregator using algorithms to push viral content created elsewhere, but now has its own staff of reporters; or Vox Media, an American digital media company with eight editorial brands built on Chorus, its proprietary digital publishing platform; or Quartz, a global digital-only business news publication owned by The Atlantic. Somewhere, some artificial intelligence-enhanced innovator is laboring to disrupt the media business in ways yet unimagined.

Comparing Vice Media to The New York Times is ultimately a bit like comparing the Metropolitan Opera to wrestling’s WWE; they’re both competing for digital viewers too. And by one measure, Vice has already trumped The Times: at \$4 billion, its valuation is nearly twice The Times’s market cap.

Still, Vice and The Times are both publishers, an Old Media model. Evan Williams, co-founder of Twitter and creator of Medium, a blog-publishing website, said in a recent podcast that the future of news is platforms, a few of which will soon distribute the vast bulk of all content. Platform, in this context, refers to social media sites like Facebook and Twitter that provide an environment in which literally anyone can publish, from global media players, like The Times or The Post, to individuals.

To some extent, newspapers have always published readers’ writing, with letters to the editor, and The Times’s digital strategy includes new tools to foster reader-generated content. Vice has its own site, Motherboard, for user-generated blogging, longform reporting and video journalism.

These are solid steps in the right direction, but they are dwarfed by the social media companies. Already, more than 60 percent of millennials get their news through Facebook, according to Pew Research. For the record, Facebook’s market cap is \$305 billion.

And that’s about \$300 billion more than The Times and Vice are worth combined. //