

Why did the Digital Strategy of the Washington Post Fail? – The Success of the New York Times and the Failure of the Washington Post until the Buyout by Jeff Bezos –

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要 旨

アマゾンの創業者であるジェフ・ベゾスが、2013年アメリカの有力紙であるワシントン・ポストを買収したというニュースは驚きで迎えられた。名門新聞社もとうとうインターネットの寵児に買収されてしまったのか、といった声が聞かれた。だが、余り指摘されなかったのは、ポスト紙のデジタル版は当時全米ですでに人気サイトであったばかりか、2008年以降巨額を投資してデジタル戦略を進めていたことである。

この点で興味深いことは、もう一つの有力紙であるニューヨークタイムズがポスト紙とはまったく異なるデジタル戦力を取ってきたことだ。タイムズは有料モデル、つまりデジタル版に課金システムを2010年から導入してきている。それに対しポスト紙はこれまで通り無料でデジタル版を提供し続けていた。その結果、タイムズは100万人以上の有料会員を獲得し、創業以来初めて購読料が広告収入を上回った。

その結果、両紙は明暗を分けたといえるだろうが、この二紙はなぜ異なるデジタル戦略を取ったのだろうか。その違いにはどのような背景や考え方があったのだろうか。本研究ノートでは、特にワシントン・ポスト紙に着目し、ベゾス氏に買収されるまでのデジタル戦略を明らかにしていく。その大きな理由は、タイムズ紙の動向は日本のメディアがしばしば伝えているが、ポスト紙はそれほど注目されてこなかったと言えるからである。本研究ノートのもう一つの意義は、ポスト紙の広告モデルの問題点を新しい角度から分析していることである。つまり、「地方紙」としてのポスト紙の限界についてである。本稿では出来る限りポスト紙側の資料を用いて、まずは同紙が何を試みようとしてきたのか、その事実関係を明らかにしていくことを主眼とする。それを踏まえた上で、ワシントン・ポスト紙のデジタル戦略を分析し、デジタル時代の新聞経営の可能性について触れたい。最後に、紙面制限のため本稿では2010年からベゾス氏のポスト紙買収までの期間に限ることを指摘させていただきたい。

キーワード

The Washington Post, the New York Times, pay wall, online newspaper, Jeff Bezos, Raju Narisetti,
Marcus Brauchi, Arthur Sulzberger Jr., free media, digital subscription

英文要旨

Since 2010, the New York Times created a pay wall and charged for its digital content whereas the Washington Post continued to offer its online content for free. The Times reached a digital circulation of over one million in about 3 years but the Post was sold to Amazon Founder Jeff Bezos. Why did the two newspapers choose different strategies? What was the outcome?

Due to the lack of space, this paper will focus more on the Washington Post strategy than that of the New York Times. It will draw on materials from the Post and will try to answer why the two companies took different strategies.

The paper will also argue that maybe it wasn't a question of Pay Walls vs. Free Media or the Washington Post vs. the New York Times but more precisely it was Washington D.C. vs. New York. While the Washington Post is no doubt one of the premier newspapers in the U.S. and a worldwide recognized brand, it is in reality a local paper; one of the main business strategies of the Post (both in print and digital) is that it is "the indispensable guide to Washington."

In the end, the paper would conclude that, contrary to the popular argument, it was in fact a question of an international paper vs. a local paper that made the digital strategies of the two companies succeed or fail.

Introduction and Background: Pay Walls vs. Free Media

The world was surprised when it was announced that Amazon Founder Jeff Bezos had acquired one of the most prestigious newspapers in the United States: the Washington Post. Founded in 1877, the Washington Post represented the best of newspaper journalism in America and it was a bastion of traditional reporting highlighted by the exposé of the Watergate scandal in the early 1970's that brought down the then President Richard Nixon.

But with the announcement of the buyout, the Washington Post was seen as another victim of the Internet and the digital revolution or of so-called "media disruption," i.e. the change that occurs when new media technologies and business models affect the value position of the existing media. The Post was, in short, a representative of a dying industry only to be bought (or maybe saved) by a new media tycoon Jeff Bezos. The newspaper industry in the United States is in dire straits and its print circulation is dwindling, forcing many newspapers to fold or to go into bankruptcy. The Washington Post was no exception.

Yet taking a closer look, one cannot easily conclude

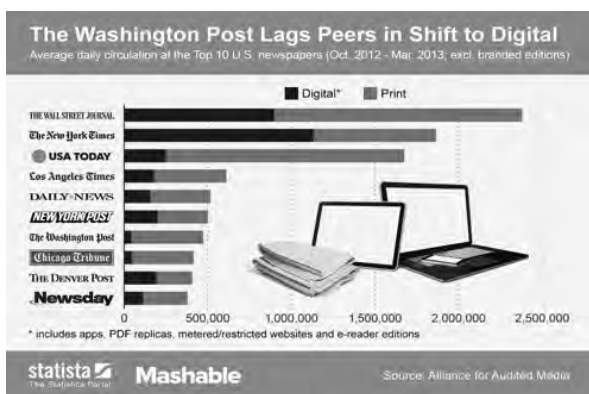
that it was a victory of new media over the old. The Washington Post did try to adapt itself to the new digital environment by producing online newspaper content and it was and continues to be one of the most read digital newspapers in the US. In fact, another U.S. major daily, the New York Times was able to make a turnaround by increasing its digital circulation and digital subscription which could be, however wishful thinking it might be, one of the possible ways to fix the broken business model of quality journalism.

The daily print circulation of the New York Times in the October 2007 to March 2008 period was 1,039,031 (Monday-Friday edition), maintaining one million copies per day. But in the period from April to September 2009, the Times' circulation dropped below one million to 927,851. The latest circulation figure was 680,905 for the six-month period ending March 31, 2014, down 7% from the same period of the previous year, according to the Alliance for Audited Media (AAM) report.¹

However the New York Times total average "digital" circulation, i.e. those who pay for the digital edition of the paper, Monday to Friday was 1,341,945 for the six-month period ending March 31, 2014, 18% year-over-year increase. All in all, the total average circulation,

which includes print and digital, was 2,149,012 (Monday-Friday) according to the AAM report.²

As for the Washington Post, its circulation (Monday-Friday) had declined 6.4% to 582,844 in 2009 for the six-month period from April to September; the latest figure for the six-month period ending March 2014 dropped 8% to 436,601 compared to the same period of the previous year.³ The great difference with the New York Times is that only about 9% of Washington Post subscribers pay for the digital edition of the paper; the Post's daily digital subscribers averaged at 42,313 between October 2012 and March 2013,⁴ the fewest digital subscribers and the lowest ratio of digital subscribers to print subscribers of any of the top 10 U.S. newspapers.⁵



Top 10 U.S. Newspapers Ranked by Digital Circulation⁶

This is in great contrast to the New York Times which has more digital subscribers than print as its digital subscription has increased to over one million readers in just 3 years.⁷

Why such a great difference?

Simply put, the answer lies in the difference of the companies' online strategies, particularly since the New York Times started its pay wall from the early 2011. The Post has far fewer digital subscribers as it offered free access to the Post's digital newspaper; the figure quoted above for the Post digital subscription mainly consists of paid subscription for the Sunday edition and its custom apps.

Like the Washington Post, the New York Times has offered free access to its digital newspaper but launched a new pay wall from Jan. 2011, allowing users to read a certain number of articles per month. This digital payment subscription or a metered system essentially targets heavy users of the Times content.

In September 2010, just few months before the Times kicked off its new metered system, the two executives responsible for the online operation gave presentations about their different strategies at the 9th International Newsroom Summit of the World Association of Newspapers and News Publishers (WAN-IFRA) held in London. Raju Narisetti, then managing editor of the Washington Post in charge of digital operation, gave a presentation entitled "Questions of Survival: Building the Next Generation Newsroom at the Washington Post."



Raju Narisetti speaking at the 9th International Newsroom Summit, World Association of Newspapers and News Publishers (WAN-IFRA) in London 2010. (Photo by WAN-IFRA)

Also present was Arthur Sulzberger, Jr., Chairman and Publisher of the New York Times, who gave a presentation entitled "Paid content – Quo vadis?" Coincidentally or not, both were presented on the same day (Sept. 8, 2010) and roughly four years after that, one could safely say that the time is ripe for an appraisal of their online strategies, especially since Jeff Bezos bought the Post and the paper abandoned its free access strategy and, like the Times, launched a pay wall system.



Arthur Sulzberger, Jr. speaking at the 9th International Newsroom Summit. (Photo by WAN-IFRA)

Theoretical Framework/Business Model

The dilemma for digital newspapers today is whether to deliver the content free or build a pay wall and charge for a digital subscription. Both strategies can be applied simultaneously as well and some newspapers have tried the free model and relied on advertisement for revenue while also charging the readers for its premium content.

But the common consensus in the newspaper industry, especially back in 2009, was that charging for a digital subscription would not work. The reason was simple: very few newspapers succeeded in charging their readers for their content online. Those who succeeded were a handful of economic newspapers and it was said that most readers were getting news from free online news or portal sites.

So when the New York Times announced that it would build a pay wall and charge the readers online, many were skeptical about the plan, partly because the paper had started a digital subscription called “NYT SELECT” back in 2005 but had abandoned the scheme in September 2007. Although Arthur Sulzberger, Jr. denied it, it was widely considered by many as a failure and another example of consumers’ unwillingness to pay in the world of the Internet. Sulzberger defended his new plan saying it was a different system because “NYT SELECT” mainly

offered “Opinion” and “Column” articles.

On the other hand, the Washington Post took the exact opposite route, keeping the digital newspaper free of charge. What were the reasons for these strategies? Why did the Post and the Times undertake different strategies? What was the outcome and what are the lessons one can learn from their experience?

This paper tries to answer these questions and in order to do so, the paper will draw on materials from both presentations mentioned above and other interviews and articles and market data available during 2011 to 2013, or more precisely from when Sulzberger made his speech on his new system until Jeff Bezos’ buyout of the Washington Post. The reason for limiting the time frame should be obvious: in the world of the Internet, changes are so rapid and unpredictable that by the time this paper will be published, there can be other developments that can make this paper’s argument and its conclusion irrelevant.

Also this paper concentrates more on the Washington Post because, although the Post is the premiere newspaper of the US capital, it has never been closely followed in the Japanese media like in the case of the New York Times or the Wall Street Journal. Rarely did the Japanese media report on the Washington Post’s digital strategy and how the paper went about to implement it.

Another merit of this paper is that it gives another reason why the Post’s digital strategy was “disrupted” or, to put it simply, failed to fix the broken business model of quality journalism. Many industry pundits have pointed out that digital ad revenue remained too flat to boost the Post’s fortunes and that readers were more willing to pay for the content than was initially expected, making the New York Times’ strategy far more successful than that of the Post. This paper analyses a third reason inherent to the main strategy of the Washington Post as a disruptive factor.

How to “Digitalize” the Washington Post

Needless to say, the name “Washington Post” is very closely associated with the paper’s uncovering of the “Watergate Scandal.” In fact, the Post’s reporting of the scandal is considered as the pinnacle of American investigative journalism and it launched the paper to the forefront of American journalism alongside with the New York Times. The executive editor who oversaw the reporting of the “Watergate Scandal” was Benjamin Bradlee, who was in that position from 1968 to 1991. His successor was Leonard Downie Jr., who was also involved in the coverage of the scandal. Yet when Leonard Downie stepped down as the executive editor in 2008, he was quoted as saying that “as for the Web,” the Washington Post was “slow to understand its importance.”⁸

In fact, the Post was slow to adapt to the Internet Age and since his departure, the Post finally started in earnest to make drastic changes. The biggest change was to bring in new people to its top positions. As the successor to Downie, the Post appointed Marcus Brauchi, a former managing director of the Wall Street Journal, who quit his job soon after Rupert Murdoch took over the paper. Brauchi was in charge of both the newspaper and the website, whereas the previous editor had not been in charge of the digital newspaper. It is reportedly said that this recruitment from the outside of the organization “surprised the newsroom.”

Brauchi then hired Raju Narisetti, a former deputy managing editor of the Wall Street Journal as a managing editor in charge of digital operation. He had spent the first 18 years of his life in India until he attended a university in the U.S.



The old newsroom.
(Photo by the Washington Post)



Newsroom under construction.
(Photo by Washington Post)



Old newsroom under construction.
(Photo by the Washington Post)



The new newsroom with Universal News Desk in the middle. (Photo by Washington Post)

Another change in the top position was appointing Elizabeth Spayd as managing editor in charge of the hard-news sections of the newspaper; she became the first woman to hold that title in the paper's history. She had worked in the digital newsroom which was then at a different location than the print newsroom; her appointment, said an article in the Washington Post, was "also an effort to speed up the merger of the company's print and online newsrooms."⁹

In addition to these changes at its top positions, the Washington Post implemented three important structural changes during 2009 and 2010:¹⁰

1) Integrated two newsrooms into one and removed physical barriers.

The Washington Post had two newsrooms, one for print and the other for digital news. The print newsroom worked with the staff of 650 people and its role was to create print and online news, operating a 15-hour newsroom with "a paper first focus." Whereas the digital newsroom was staffed with 100 people, its role was to produce and package online news, focusing on only web content with a 24-hour production operation. Starting December 2009, the two offices were integrated in downtown Washington accompanied by a staff reduced to 580 altogether. Its role was to create, produce and package contents for mobile/online and print, and shift toward "a Web First 24-hour newsroom."

2) Creation of a "Universal News Desk."

In the center of the new integrated newsroom, the Post created a "Universal News Desk" which not only integrated mobile/online and print but integrated graphics, photo, multimedia, video, chats, social media and other variety of platforms seamlessly to produce original content.

3) Moving to Single Publishing Platform.

From July 2010, the Post has started to use the Eidos system which is channel-neutral, meaning content can be created for the Web, mobile and print. The system can hold print, video, audio and other elements so that multi-platform editors can prepare content simultaneously for all platforms without converting so that workflow can be streamlined.

All in all, these structural changes are a multi-million dollar commitment to face challenges of the new digital era and are efforts to reduce processing time and enable the Post to respond faster to breaking news. The deadline will not be targeted for the morning paper but, like all news agencies, every minute of the day 24/7. These were efforts to create a 24-hour newsroom and a Web-First mode: breaking news will be reported immediately online as soon as the reporter gets the scoop and not wait until the morning paper deadline. Every second is a deadline.

Unlike a traditional newspaper newsroom, all the reporters will be focused on SEO (Search Engine Optimization). For example, reporters will be asked to write "Republican Party," rather than "GOP" ("Grand Old Party") – although both phrases do mean the same thing, readers search with the phrase "Republican Party" and not with the other acronym.

Why "Free?"

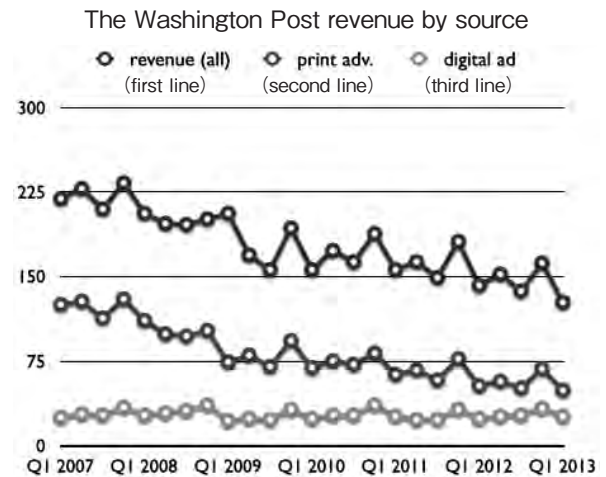
Despite all these multi-million dollar investments, the Post kept its online content free of charge. Online readers pay zero. Why?

Raju Narisetti himself posed that question: "Why not charge for access to content online?" and outlined the three main reasons. First, "there isn't a clear first-mover advantage to charging for online content." Second, "The risk-reward does not yet work out in the Post's favor." And third, "Display advertising is still healthy online."¹¹

His explanation meant that there wasn't enough proof of success to justify a pay wall business model. There was no other choice but to rely on advertising revenue. In fact, The New York Times ended its "NYT SELECT" because of the huge growth in digital advertising.

Back in 2010, the Washington Post was the third most popular news site in the United States after the Times and USA Today. The Post was afraid that by creating a pay wall, the SEO would decrease the number of hits and online traffic and as a result advertising revenue would fall. Also given the fact that US newspapers rely for over 80% of their revenue on advertisement, the Post's strategy could be described as a logical strategy back then. Moreover in 2009, the only growing area of revenue was in fact online display advertising as the chart below shows.¹²

published in 1877. Thanks to its online content, more people are reading Post journalism now than they have ever before, more than in the heydays of Watergate or since. But digital advertisement and its revenue did not increase as much as expected (as the chart below shows).¹³



2009 Results for the Newspaper Division (primarily The Washington Post)¹

Revenue	- 15%
Online Revenue	- 8%
Print Advertising*	- 23%
Online Display Advertising	2%
Online Classified Advertising	- 24%
Daily Print Circulation*	- 5.9%
Sunday Print Circulation*	- 4.7%
Operating Loss	\$163.5million
(Operating Loss in 2008:	\$192.7)

*Denotes results for only The Washington Post

Digital advertising slump

After roughly 4 years since 2010, the Post's monthly average unique visitors reached about 19.6 million, making the paper the second most read news site in the US after the Times. In terms of readership, a record number of people read the Post since it was first

The chart shows a huge depletion in print advertising and a flat line for digital advertising.

Says Narisetti: "The Post, like a few large U.S. newspapers, generates millions in online revenue from advertising. But we also generate tens of millions more from print advertising and circulation. The much anticipated intersection of rising digital revenues and falling print revenues has already turned into a mirage, leaving most of us with a cost structure way out of sync with today's business reality. What is left is a relentless pressure to cut back on the single most expensive cost centre at media companies.: The content creation engine, a.k.a., our newsroom."¹⁴

Why did digital advertising remained flat at best?

One reason is in part because digital advertisement revenue does not reap as much as the print advertisement. Another reason can in part be found in the "Lehman Shock" in September 2008 which plunged the US and the world economy into recession. In part because the Post was facing much tougher competition on its own turf from such free news sites

as Politico, National Journal and Roll Call, competing not only for the readership but for advertisement too.

Robert G. Kaiser, a senior writer and editor who has been with the Washington Post since 1963, said to this effect in an interview with the New York Times:

“When I was managing editor of The Washington Post, everything we did was better than anyone in the business. We had the best weather, the best comics, the best news report, the fullest news report. Today, there’s a competitor who does every element of what we do, and many of them do it better. We’ve lost our edge in some very profound and fundamental ways.”¹⁵

Limit of a local media strategy

By the time Jeff Bezos bought the Post, it seemed clear which paper emerged victorious in a battle against free or not free, Pay wall vs. Free Media. Probably it is safe to say that the winner was the New York Times as its subscription system found a huge readership of over one million people. In short, The Times’ strategy worked: a metered system without a pay wall for light users and allowing readers to read a certain amount for free and helping to keep the SEO high enough so that the Times’ articles will not get lost in the Web. The system also did not charge the users who came to the Times’ site through various social media network like Facebook. Clever marketing and aggressive pricing also helped lure readers. The advent of smart mobile devices like smartphones and tablets was also a strong contributing factor. And above all, readers paid. Why? They paid for content which they deemed was worth their money.

If the free media strategy didn’t work for the Post, can a pay wall strategy save the paper? Will the readers pay to read the Post’s online paper?

Maybe it wasn’t a question of Pay Walls vs. Free Media or the Washington Post vs. the New York Times but more precisely it was Washington D.C. vs.

New York.

One of the main business strategies of the Post is that it is “the indispensable guide to Washington.” In other words, the paper acted as a local media that concentrated on being “for and about Washington.” Most often than not, the Washington Post is considered by many as a “national” or “international” paper. But, while the Washington Post is no doubt one of the premier newspapers in the U.S. and a worldwide recognized brand, it is in reality a local paper consumed mostly in Washington D. C..

According to Narisetti, the Post “strategy in nutshell,” was to serve national (online) and local (print and online) audiences, with a tight focus on Washington.¹⁶

However in hindsight this strategy could have limited its growth in the Internet sphere. This can be well explained when compared to The New York Times.

The Times can also be considered a local paper of New York. But there is a stark difference with the Post: New York is a city which offers more metropolitan charm and amusement than Washington D.C. Art, fashion, music, Broadway, finance – in almost every field New York is the epicenter of the world and has much greater impact and influence than Washington. Readers from all over the world would pay to read about what’s happening in New York City and the Times succeeded in capitalizing on that.

Another important difference is that the Times is an international paper whereas the Post remained “local,” focusing tightly on Washington D.C. The “roadmap to economic success” of the Post back in 2010 was:¹⁷

- Make as much money from Print over the long term.
- Make as much money from Digital over the long term.
- Create new revenue streams.
- Reduce the paper’s costs. Become smaller, but more focused to make the enterprise stronger

Both the Times and the Post “reduced” its cost

and staff but the Times stressed the need of quality reporting and to remain a “global” newspaper.¹⁸ Whereas the Post “became smaller” and “more focused” on Washington and shrank and compromised its national as well as global coverage. The Post even closed such important national bureaus such as LA, Chicago and New York.

In order to survive, the Post had to sack hundreds of reporters and shut down international bureaus too. For example, the Post used to have 2 staff reporters in Tokyo but they have all gone, leaving only a stringer to cover the country. The Times still has 2 staff reporters in Japan. The digital readers of the Times can enjoy not only news on and about New York but also abundant news and feature stories from around the globe.

A good example of this is the “International New York Times.” Until 2002 it was published in conjunction with the Washington Post but the New York Times took control and the name was changed to the “International New York Times” from the “International Herald Tribune.” In 2012, the Times launched a Chinese language internet site so as to attract Chinese readers and ad revenue from international companies seeking business ventures in China. These endeavors exemplify how much the Times is committed to international reporting and its ambition to search for global business opportunities.

Narisetti also made this point: “At the Post, this really isn’t a question about Pay wall vs. Free Media. It is really about recognizing that digital is the future but print is not just the present but also the future as well, at least the foreseeable future. The debate is whether we can do well first, as a healthy business, so we can continue to do good through our journalism and fulfill our core mission: Being the Indispensable Guide to Washington.”¹⁹

Maybe herein lies the essential dilemma of the Post: the paper had no choice but to keep the online edition free and rely on the ad revenues because given its tight

focus on Washington, only limited numbers of readers may be willing to pay for the subscription. But the ad revenues weren’t enough to keep the paper in a healthy business condition.

Says Narisetti: “What is clear to us is that our current revenue streams can no longer support our mission. But what is also clear is that there is no single consumer pay model on the Web whose friction won’t meaningfully impact our current \$80 million annual digital revenue, let alone widen that spigot.”²⁰

Conclusion: Unanswered prayer

It may not be fair to say that the Post failed and the Times succeeded; similarly it may not be correct to conclude that the advertising model will not work for online newspapers, while a subscription model will. But the fact remains that in terms of revenue, the New York Times received more money from its readers than from advertisers for the first time in its history thanks to the pay wall strategy. In 2013, 43% of the its revenue came from advertising whereas 52% came from subscription.

The Post abandoned the free strategy and started a pay wall system from June 2013. But before it was able to see any significant turnaround the paper was sold to Jeff Bezos, the man whom the Graham family reportedly thought to be the only man who could turn the tide and reverse the fortune of the Post in the Internet age.

The new digital innovation team at the Post fell apart when Narisetti returned to the Wall Street Journal in Jan. 2012 after 3 years at the Post. Elizabeth Spayd, the other managing editor also left the Post by the end of the same year. And Marcus Brauchli stepped down as executive editor in the end of 2012 and took on a new role working for the Post’s parent company.

In 2010, Raju Narisetti posed a question that is

essential to the survival of newspapers in today's digital era.²¹

“How do we allow the enterprise and our mission to endure for generations, when our core product is in structural decline and our digital product produces far less money and is growing relatively slowly, revenue-wise?”

In 2013, Jeff Bezos told the employees of the Washington Post when the takeover was announced:

“...There is no map, and charting a path ahead will not be easy. We will need to invent, which means we will need to experiment. Our touchstone will be readers, understanding what they care about – government, local leaders, restaurant openings, scout troops, businesses, charities, governors, sports – and working backwards from there.”²²

How newspapers could and should cope with the Internet age is still mostly unanswered – albeit with the success of the Times strategy, it may be safe to say that some, obviously not all, newspapers can and will survive as long as the readers are willing to pay for the content online.

【注】

1 Formerly ABC (Audit Bureau of Circulation)

2 Ibid

3 Ibid

4 Ibid

5 AAM Report 2014

6 Zoe Fox “Top 10 U.S. Newspaper Ranked by Digital Circulation,” Mashable

7 AAM Report 2014

8 Howard Kutz, “The Post’s Top Editor to Step Down,” The Washington Post, June 24, 2008

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10 Raju Narisetti, “Questions of Survival: Building the Next Generation Newsroom at the Washington Post.” Presentation at 9th International Newsroom Summit, World Association of Newspapers and News Publishers (WAN-IFRA), Sept. 8, 2010, London, UK

11 Narisetti, Ibid

12 Narisetti, Ibid

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16 Narisetti, “Questions of Survival: Building the Next Generation Newsroom at the Washington Post.” Ibid

17 Narisetti, Ibid

18 Aurthur Sulzberger, Jr., Chairman and Publisher, New York Times, “Paid content— Quo vadis?” Presentation at 9th International Newsroom Summit, World Association of Newspapers and News Publishers (WAN-IFRA), Sept. 8, 2010, London, UK

19 Raju Narisetti, “Why Free is Very Expensive.” Ibid

20 Narisetti, Ibid

21 Narisetti, “Questions of Survival: Building the Next Generation Newsroom at the Washington Post.” Ibid

22 Jeff Bezos “To the employees of the Washington Post.” The Washington Post, August 5, 2013