INNOVATORS IN DIGITAL NEWS

LUCY KÜNG

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About the Book
News organisations are struggling with technology transitions and fearful for their future. Yet a cadre of these institutions – some new, some old – has emerged who are succeeding with digital news. Why are Vice and BuzzFeed investing in journalism and why are pedigree journalists joining them? Why are established news organisations letting experienced journalists go but recruiting technologists? This book looks at several key players in the digital news industry – including the Guardian, the New York Times, Quartz, BuzzFeed and Vice – and draws on extensive first-hand research inside the organisations. How do they operate? How do they innovate? Lucy Küng identifies and discusses the common elements that underlie their success, and provides valuable pointers for how all players, legacy and clean sheet, can seize the growth potential that digital markets present.

About the Author
Lucy Küng is a research fellow at the Reuters Institute for the Study of Journalism, University of Oxford. She splits her time between researching strategy, innovation and leadership in the media and working in the industry. She is Non-Executive Director of SRG, the Swiss public service broadcaster, holds a PhD and Habilitation from the University of St Gallen, Switzerland and is the author of Strategic Management in the Media: Theory to Practice and Inside the BBC and CNN: Managing Media Organisations.

What follows is a short extract from this book.
More information can be found at: www.ibtauris.com/reuters
‘Lucy Küng’s book provides lucid analysis based on detailed inside looks at five of the world’s most interesting news organisations. Everyone in the news business should read it.’

Tom Standage, Digital Editor and Deputy Editor, The Economist

‘In a changing landscape of news publishing Lucy Küng provides a detailed snapshot of the strategies and structures of leading digital news organisations. It is a thoughtful examination of how news organisations navigate the digital ecosystem at a critical time for journalism.’

Emily Bell, Director, Tow Center for Digital Journalism, Columbia University Graduate School of Journalism

‘What can news organisations learn from the digital innovators? And how is news changing in the age of the algorithm? This well-researched, clearly argued book identifies crucial lessons for news executives and journalists. Through a series of case studies Lucy Küng has distilled the experience of those at the leading edge of digital news for the benefit of others still catching up.

Newsrooms may know the theory of success in the online social environment – but implementation is hard and the risks of failure high. Here, key steps by those who have succeeded are identified and analysed. Anyone with responsibility for managing media operations will benefit from this book.’

Richard Sambrook, Professor of Journalism, Cardiff University; former Director of BBC News

‘With Innovators in Digital News, Lucy Küng takes us on a revealing tour of some key contemporary transformations in the making of news in America and the United Kingdom. The accessibility of her writing style and the diversity of case studies will make this book particularly appealing to practitioners.’

Pablo J. Boczkowski, Professor and Director, Program in Leadership for Creative Enterprises, Northwestern University
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Executive Summary

The internet and World Wide Web have been part of the media world for well over two decades now. A new landscape of digital media products, platforms, consumption devices, and consumption patterns has emerged, and continues to evolve. These changes have brought challenges for all established media organisations from Hollywood movie studios to public service broadcasters, from the publishers of books and scientific journals to music producers and advertising agencies.

This book focuses on one segment of the many sectors that make up the media industry: digital news organisations. Within that segment it focuses further on just five players: the Guardian, the New York Times, Quartz, BuzzFeed, and Vice. These players have been chosen because they are all to different degrees and in different ways successful with digital news, even though in the current disrupted and increasingly divergent state of the news industry, the term 'success' can only be used in a qualified way: there are profound differences between digital and analogue revenues, between legacy and clean sheet status, between public ownership, trust ownership, and venture capital backing. So while these are not the only successful actors in the field, they are all recognised to different and disputed extents as leaders, successes, and perhaps role models.

The Guardian and the New York Times are legacy newspaper organisations that are far along the process of transforming themselves into digital news organisations. Quartz and BuzzFeed are pure player or clean sheet digital news providers. Quartz is 100% news, BuzzFeed is a viral content company that has only moved seriously into news provision in recent years. Vice is a different animal again. News is one element of a broad palette of video content, but its investment in the field is growing, and now equals that of some leading legacy players.

In this book, a series of detailed case studies explores how these five organisations approach digital news, how these activities are anchored in the larger organisation, the corporate strategies and rationales that underlie
them, and the cultures, competencies, processes, and measures involved in the implementation of their approaches to digital news.

The book then identifies commonalities in these cases. It pinpoints and discusses shared elements in how they go about their business and characteristics that contribute to their performance. Drawing on this analysis, it highlights precepts, concepts, and approaches which may be of value to other organisations facing similar challenges. It does not provide a ‘recipe’ for succeeding with digital news, but identifies a set of elements common to all these players that contribute to their success.

Chapter 1 introduces the book, the goals for writing it, the cases in it, the methodology employed, and relevance of its findings. It discusses how ‘success’ is defined and how the companies profiled meet that criteria. It explores the characteristics of the digital news they provide, and how these are diverging from conceptions of news in the pre-digital era. The triggers for this shift, technological disruption and attendant shifts in consumption behaviour, and the industry disruption that has resulted are then reviewed in terms of how they have created a new and challenging context for news organisations. The chapter closes with a discussion of the research methodology used, the challenges involved in researching a fast-moving sector, and the consequences these have for the relevance and longevity of findings.

Chapter 2 focuses on the Guardian. It explores how the UK newspaper became a pioneer of legacy media reinvention and delineates the role of the Scott Trust in defining its innovation path. It discusses how the paper’s early start on digital platforms and subsequent consistent experimentation brought valuable insights into how digital news markets operate and the organisational transitions required to succeed in these, as well as helping to address cultural resistance. The core elements of the Guardian’s response to new digital platforms are identified and discussed: the decision to make access to the core product free; the search for growth in international markets as well as the UK; the clearly delineated global target market of liberal, intelligent people; the expansion over new platforms, and the strong synergies between these strategic elements; its commitment to serious journalism, and its ‘open’ strategy of creating permeability between audiences and journalists; and building and monetising its loyal community via membership and events strategies. It also looks at the financial measures accompanying these moves, including divesting non-core assets, a move into native advertising, and downsizing the legacy business.
The subject of Chapter 3 is the New York Times. It discusses the organisation's long heritage, national position, and reputation as a beacon for quality journalism. It outlines its ownership and corporate governance arrangements and the implications these have had on its approach to innovation. It documents the institution's early start with digital innovation and the subsequent and consistent initiatives it has introduced, keeping step with industry developments. It reviews the steps taken to restore financial health to the organisation, including maximising print revenues, divesting non-core businesses, and boosting digital income via its successful introduction of a paywall, niche products, and native advertising. The insights provided in the organisation's own study into internal innovation, their Innovation report, are reviewed, particularly the tension this highlighted between the newsroom culture, with its deep commitment to the highest journalistic standards, and the deeper relationship with users and commercial activities necessary in digital news markets.

Chapter 4 explores Quartz, a digital-only, mobile-first provider of digital news for upmarket audiences launched by the Atlantic Media Company. It explains how the concept for Quartz resulted from The Atlantic’s goals of disrupting itself, and of creating a new publication that would ‘be what The Economist would look like if it had launched in 2012’. It explores the extremely coherent elements of the Quartz formula which involve a set of sophisticated choices and trade-offs. These include the decision to go for ‘side-door access’ from the start (that is, be social-mobile only initially), its target market (the ‘smart, young, and bored at work’), writing style (articles either under 500 or over 800 words, headlines that capture the ‘nugget’ in each story and are designed to go viral), its much admired ‘uncluttered aesthetic’ with a continuous feed of stories, big visual elements, the ‘obsessions’ concept that replaces newspapers’ typical beat structure, its tech strategy involving responsive design, HTML, and WordPress, and its ‘bespoke native’ advertising strategy which involves integrating large ads into the story stream which allows it to charge premium rates to premium advertisers.

BuzzFeed is the subject of Chapter 5. It describes how Jonah Peretti founded the organisation in 2006 as a viral content lab and side project to his main role as co-founder of the Huffington Post, and how its focus on investigating and creating viral content left it perfectly positioned to exploit the growth of social and mobile media. The influence of Jonah Peretti on its news ambitions, its technological choices, its business model (growth not profits and native-only), and its long-term strategic orientation
are evaluated. This chapter looks at how BuzzFeed is a tech–media hybrid, how data science governs content creation, and how tech industry principles underlie how the organisation is run. It reviews the four core areas of BuzzFeed content: editorial (including ‘Buzz’ with its focus on listicles and quizzes, lifestyle content; ‘distributed’ content for platforms such as Instagram and Pinterest); ‘creative’ which is native advertising content; and ‘motion pictures’ – video content. It reviews how news content is an increasingly significant element of its editorial content, the increasing amounts BuzzFeed is investing in the field, and the number of classic news journalists of repute joining the organisation.

Chapter 6 looks at Vice Media, the ‘Gen Y’ media conglomerate with activities spanning both legacy and digital media all over the globe, and which focuses on video content for youth audiences of which an increasingly important element is news. It explores its beginnings as an alternative magazine in Montreal and how its current ‘bad-boy’ image and culture is an extension of the personality and modus operandi of its founder Shane Smith. It analyses Vice’s extensive video activities on new and traditional platforms, explores Vice’s growing investment in news, its controversial approach to the field involving ‘immersive news’ and ‘gonzo scoops’, and its successes, including an Emmy awarded for its joint venture series with HBO, and its documentary on Islamic State. Vice’s business model, encompassing its relationship with commercial partners, its full-service approach to native advertising, and its high levels of investor funding, is discussed.

The final chapter of the book sifts through the detail of the case studies to identify factors common to these organisations that contribute to their success with digital news. It highlights a set of interlinked elements which need to be viewed systemically: their power lies in their combination, in the virtuous circle that is created when all are present and function together.

At the core of these are three interrelated elements which are standard practice for high-performing organisations – a singularity of purpose about the role of the organisation and the ‘value’ (in management terms) it creates for its users, high calibre leadership from smart individuals who have developed a viable strategic path forward and have credibility with the culture of the organisation, and a clear and unequivocal strategy that sets boundaries, allows prioritisation, and avoids distractions. Then come two elements specific to some to the emerging digital news industry and to the nature of competition and consumption within it. The first is a
blending of journalistic, technological, and commercial competencies, involving a deep integration of tech into editorial processes, the presence of digital editorial thinkers, and content creation processes that are response and data driven. Second comes a ‘pro-digital culture’ that views the digital news arena as an opportunity (albeit a highly competitive field), that is not particularly nostalgic about the old legacy days, and which is open-minded about using the functionalities of digital technology to reinvent quality news. The final two common elements are not easy to acquire or replicate. The first is an early start. The longer a news organisation has been active in the digital field, the more it has learned about how this functions, and the more attuned it is to the pace of the industry and how innovation is best approached. The final element involves autonomy – the ability to innovate and respond as directly as possible to opportunities and threats in the digital news market. This is directly influenced by ownership arrangements (and the priorities of those stakeholders) and by the financial resources available, both elements that a digital news organisation has limited opportunity to influence.
Why are Some Digital News Organisations More Successful than Others?

Innovation is a condition for our survival. And the survival of newspapers is completely dependent on our ability to evolve.¹

We are now two decades into the internet age. A clear cadre of digital news organisations have emerged that are more successful than others, even if ‘success’ is difficult to define, and the term ‘news’ is more widely interpreted than traditionalists would like. The basic question guiding the research in this book is whether there is also a set of common elements in how these digital news organisations go about their business. Are there particular shared characteristics that contribute to their above average performance? If yes, what are these?

Cognoscenti in the digital news field, and inside successful organisations, will probably know most of what is in this book already. But many news providers are still struggling with digital, social, and mobile – with cultural blockages, with implanting the necessary tech skills, or with understanding why BuzzFeed or Vice could even be viewed as competitors, or with why a serious news organisation might even contemplate native advertising.

All news organisations are confronting the challenges posed by the internet, digitalisation, new devices for consuming media content, and social media. A common set of organisation responses is making the rounds too: trips to Silicon Valley by the management team, converged newsrooms, digital-first strategies, ‘fail early and fast’ innovation strategies, social media metrics to measure Facebook ‘likes’, and so on.

There is much noise in the media about the transition to digital. A basic goal for this project was simply to screen out the noise, look closely at the data, and investigate what is actually happening. Why are some...
digital news organisations more successful than others? What is the internal state of their organisations? Are there commonalities in how these successful organisations approach their task? Is it possible to distil out of these cases common elements that underlie success in digital news that can be transferred to other organisations?

So the task of this book is pattern recognition. Through a series of case studies of successful digital news organisations it seeks to achieve three objectives. First, it aims to understand how these organisations operate. What makes them successful? How and why did they enter the news field? How do they go about their work? Second, it looks for commonalities and common themes across these cases. Finally it reviews what can be learnt from this analysis, and pinpoints precepts, concepts, and approaches which may be of value to other organisations facing similar challenges.

**Five cases – two legacy, three clean sheet**

This book focuses on five digital news organisations that are acknowledged successes – bearing in mind that ‘success’ is a term that is impossible to assign in a definitive way (see discussion below), and that success at one stage of a tech-driven industry transition does not mean success over the long term (Netscape, Nokia, BlackBerry are all salient examples here).

All of the cases in this book are to some extent competing against each other, but apart from that there are few similarities between them. Two – the **Guardian** and the **New York Times** – are legacy newspaper organisations that are far along the process of transforming themselves into digital news organisations. Two – Quartz and BuzzFeed – are pure player or clean sheet digital news providers. Quartz is 100% news, BuzzFeed is a viral content company that has only moved seriously into news provision in recent years. The last case, Vice, is a different animal again. News is one element of a broad palette of video content, but its investment in the field is growing, and now equals that of some leading legacy players.

**What is ‘success’ in digital news?**

Most observers would agree that these five digital news organisations belong in the cohort of leaders, but many would also question how successful they are. They would point out that digital revenues at the
Why are some digital news organisations more successful than others?

Guardian and the New York Times are still a long way away from compensating for their loss in print revenues. BuzzFeed’s cat videos and listicles can hardly be considered quality journalism. Quartz is a beautiful digital entity, with many admirable aspects, but a niche player. Vice produces excellent news documentaries on important and difficult subjects, but its ‘bad boy’ content also extends to sex, drugs, and sponsored content. And so it goes on.

These objections are all true to a point. Yet the Guardian, the New York Times, BuzzFeed, and Vice all have enormous international digital audiences for their news content. Digital advertising revenues, and for the New York Times digital subscription revenues, are flowing and in some cases substantial. BuzzFeed and Vice have been successful in attracting investment funding – $96 million for BuzzFeed and $580 million for Vice. Quartz’s digital business news site is seen as the apotheosis of smart digital journalism and has overtaken The Economist by some measures in the US (although unlike The Economist it does not have a paywall). All are recruiting established journalists from legacy organisations, and those legacy journalists seem happy to join them.

And, of course, there are other digital news organisations that are also recognised as successes and that could equally well have been analysed – the Financial Times, The Economist, the Huffington Post, and Vox are all obvious candidates. The final selection resulted from a process of optimising between a number of constraints, ranging from the project deadline, the availability of good secondary data in English or German (which ruled out Scandinavian candidates), the need to achieve a balance between different types of organisations (legacy, pure player, type of content, type of market, etc.) and challenges in gaining research access. Gaining access was a significant hurdle, and surprisingly time-consuming to jump over (indeed, it consumed over half the time budget for the entire project). In some cases, access was granted, but too late in the process for a case study to be started. In others, access was approved but for varying reasons proved ultimately unfeasible. In all cases I am extremely grateful to the individuals who made time to talk to me.

‘If Vice has become a primary news source, then the world is completely fucked!’

Those who have grown up with a traditional concept of what constitutes quality news have problems categorising organisations like BuzzFeed and
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Vice as news providers.2 The issue may be that they did not start off as such. Now all have prioritised news, are investing heavily, and are recruiting pedigreed journalists. But this was not part of their original formulae, nor do they define themselves as primarily news organisations. They do not cover all important news issues, nor do they pretend to. Yet they are investing in news journalism, in foreign coverage, and in investigative journalism. Further, they are attracting advertisers, investors, and in the case of Vice and BuzzFeed, the millennial audiences that are lukewarm about the legacy media’s digital offerings.

They are also ‘reverse entrants’ into the news field and this makes them dangerous competitors for long-time news organisations. BuzzFeed and Vice ‘discovered’ news while focusing on other strategic agendas. In a similar way Amazon upended the book publishing industry, although that was never its core original intention. The industry did however lie in the path of its digital distribution ambitions, and was sideswiped as a result.

Thus this book looks at five digital news organisations that are successful, but the nature of that success differs, and qualifications apply in all cases. Nonetheless, this research seeks to uncover why this group of organisations are successful, however that term is defined.

Context

The main change is that news businesses 1946–2005 were mostly monopolies and oligopolies, and now they’re not. Wrenching change for anyone.3

The extent of disruption in legacy news is sobering. Long-established organisations have been derailed by a cascading series of interlinked technology-driven changes – starting with the internet, and moving swiftly through tablets, smart phones, and the social media. The number of advertising channels has increased and newspapers’ pricing power in ad sales has decreased. In the words of the New York Times’s Mark Thompson, they have moved from high-margin to low-margin businesses in a short space of time. They have significant fixed cost bases linked to their historic legacy operations and limited opportunities for reducing these, especially while print revenues are still delivering the bulk of their income.

While this has been very surprising for the sector, theoretically it is not surprising at all. The syndrome by which leading players at one stage
in a technology cycle tend to be unseated when disruptive technology ushers in the next has been reported on and investigated by academics stretching back at least to Marx and Schumpeter but more recently by Robert A. Burgelman at Stanford, Michael L. Tushman at the Harvard Business School, and of course Clayton Christensen, author of *The Innovator's Dilemma*.

The news industry is facing a classic case of disruptive innovation. The effect the invention of the internet has had on the print newspaper is similar to the effect the launch of the railways had on horse-drawn transportation. This simile helps because it underlines that while the basic need – the provision of news and information about the world – has remained the same, the technologies used to answer that need are fundamentally different. Newspapers are effectively being asked to change from providers of horse-drawn transportation into railway companies – expressing their challenge in this way underlines the enormous scope of change required, and explains why so few are succeeding in transforming themselves. Shifting from print news to digital news is equivalent to closing the stables, selling the horses, and buying a railway. A different business entirely.

**Why case studies?**

In terms of innovation in digital news, industry is ahead of theory. Researchers are scrambling to keep abreast of the industry transformation. Organisations are changing permanently. New entrants are emerging. New initiatives are being launched. Leading individuals are changing roles.

This state of affairs dictated the research process used for this book. Such a degree of change predicates an exploratory approach, based around case studies. Cases can provide a narrative explanation of how innovation is being approached and can accommodate ongoing developments, to an extent. They are also accessible. And while a small group of industry followers are *au fait* with these players and the nuances of their stories, many in the industry (including myself before I started this project) are not. Case studies can provide a general introduction and overview, can accommodate differences in individual organisations’ situations (important if attempts are to be made to transfer learning), and yet allow common conclusions to be drawn.
About the research

The initial plan was to combine secondary, desk research with primary data from interviews, and to partner secondary data with equivalent amounts of primary data. However, for a range of reasons, this was not feasible. Primary research was more complex than anticipated – a function ironically of the pace in the digital news sector and the heavy workloads of those leading the organisations.

Since the initial goal was to research, write, and deliver in one year (which did not in the end prove possible) the methodology underwent what the tech industry calls a pivot. Complete cases were developed using secondary data, and preliminary conclusions concerning the common factors behind successful digital innovation were developed from these. Primary interviews were then used to check the validity of conclusions and further develop them. To some extent this was a mirror of the product development process being adopted by the organisations under review: release as beta, revise according to feedback. Overall this worked well. The single significant disadvantage was that I could not get deep insights into innovation processes and organisation culture.

An explanatory point is needed for readers concerning displayed quotations in the text. There are two types. Those with an endnote come from secondary sources, and the endnote provides details of what these sources are. Quotes referenced as ‘interviewee’ come from primary interviews. Since these were given on condition of anonymity, more information cannot be provided. The endmatter of the book, however, provides full details of interviews conducted for the project.

Data on the digital news industry

There are massive amounts of data on digital news media available on the internet. In addition to what features in the ‘regular’ press, CEOs and key players have keynotes and interviews on YouTube (60+ videos featuring Jonah Peretti for example and at least 20 of Mark Thompson). Institutes such as the Nieman Journalism Lab at Harvard, the American Press Institute, the Poynter Institute, the Pew Research Center, and tech industry specialists such as Gigaom, The Media Briefing, and Monday Note research, analyse, and evaluate digital news developments with great frequency. Reddit and LinkedIn have all kinds of surprising material from
individuals in these cases (for example internal strategy memos from Peretti, or Shane Smith podcasts).

Such data do carry disadvantages. The quantity and quality is uneven – BuzzFeed has the most coverage, Vice the least in text form. Further, secondary data cannot be interrogated. It reflects prevailing industry fads and interpretations. It picks up any memes abroad in the industry and is influenced by the views of particularly vocal industry commentators. The risk of confirmation bias is high, and challenging received wisdom is difficult. Those fads can be in turn influenced by the organisations’ own corporate communications strategies. Efforts were made to counteract these problems by using as wide a range of sources as possible. Further, findings were fed back not only to interviewees in organisations, but also to a number of industry experts.

**Provisos to bear in mind**

Before moving on to the cases, some provisos need to be made. First, each of the organisations profiled needs to be understood as a distinct entity. The cases are different. Each news provider has a unique origin, ownership arrangements, history, culture, asset portfolio, editorial emphasis, and so on. The degree of context dependency is significant, and this limits the ability to transfer learning from one case to another.

And a final point: the focus of this book is the digital news organisation itself; the context and content of the innovation taking place, not the news output. Its goal is to document how organisations that produce news are changing as a result of digitalisation and the internet, and how those who are succeeding in a truly difficult environment are managing to achieve that. The wider implications of this innovation for journalism, and for the societal roles of journalism, are not the focus of this book and the cases and discussion in it, although hopefully they can inform and enrich that debate which should, and certainly will, take place.
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