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The Bezos Effect

How Amazon's Founder Is Reinventing *The Washington Post* – and What Lessons It Might Hold for the
Beleaguered Newspaper Business

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Introduction

The nation's capital was still digging out from the two feet of snow that had fallen the previous weekend.¹ But inside the gleaming new headquarters of *The Washington Post*, a celebration was under way.

Among the speakers that day—Thursday, January 28, 2016—was Jason Rezaian, the *Post* reporter who had just been released by the Iranian government. “For much of the eighteen months I was in prison, my Iranian interrogators told me that *The Washington Post* did not exist. That no one knew of my plight. And that the United States government would not lift a finger for my release,” said Rezaian, pausing occasionally to keep his emotions in check. “Today I’m here in this room with the very people who proved the Iranians wrong in so many ways.”

Also speaking were publisher Frederick Ryan, executive editor Martin Baron, Secretary of State John Kerry, and the region's top elected officials.² But they were just the opening act. The main event was a short speech by the host of the party: Jeffrey Preston Bezos, founder and chief executive of the retail and technology behemoth Amazon, digital visionary, and, since October 1, 2013, owner of *The Washington Post*.³

It was Bezos who had purchased the storied newspaper from the heirs of Eugene Meyer and Katharine Graham for the bargain-basement price of \$250 million. It was Bezos who had opened his checkbook so that the *Post* could reverse years of shrinkage in its reportorial ranks and journalistic ambitions. It was Bezos who had moved the *Post* from its hulking facility on 15th Street to its bright and shiny offices on K Street, overlooking Franklin Square.⁴ And it was Bezos who had flown Jason Rezaian and his family home from Germany on his private jet.⁵ Now it was time for Bezos—a largely unseen, unheard presence at the *Post* except among the paper's top executives—to step to the podium.

Like Fred Ryan and Marty Baron, Bezos was wearing a lapel pin that announced “#JasonIsFree,” the Twitter hashtag that had replaced “#FreeJason” upon Rezaian's release. “We couldn't have a better guest of honor for our grand opening, Jason, because the fact that you're our guest of honor means you're here. So thank you,” Bezos began. Next he praised Secretary Kerry.

And then he turned his attention to the *Post*, combining boilerplate (“I am a huge fan of leaning into the future”), praise (“I'm incredibly proud of this team here at the *Post*”), and humility (“I'm still a newbie, and I'm learning”). For a speech that lasted just a little more than seven minutes, it was a bravura performance.

He called himself “a fan of nostalgia,” but added, “It's a little risky to let nostalgia transition into glamorizing the past.” He invoked tradition. Marty Baron, in his remarks, had referred to the *Post*'s “soul,” and Bezos picked up on that. “Important institutions like the *Post* have an essence, they have a heart, they have a core—what Marty called a soul,” he said. “And if you wanted that to change, you'd be crazy. That's part of what this place is, it's part of what makes it so special.”

And, finally, he offered some humor aimed at charging up the troops: “Even in the world of journalism, I think the *Post* is just a little more swashbuckling. There’s a little more swagger. There’s a tiny bit of *bad-assness* here at the *Post*.” Bezos paused while the audience laughed and applauded, then continued: “And that is pretty special. Without quality journalism, swashbuckling would just be dumb. Swashbuckling without professionalism leads to those epic-fail YouTube videos. It’s the quality journalism at the heart of everything. And then when you add that swagger and that swashbuckling, that’s making this place very, very special.”

The vision Bezos outlined for his newspaper that day was simultaneously inspiring and entirely at odds with the wretched state of the news business. Of course, the *Post* is different—but in large measure because of Bezos’s vast personal wealth (his stake in Amazon was worth an estimated \$46 billion in early 2016⁶) and his willingness to spend some of it on his newspaper. Inside the *Post*, all was optimism and hope. Elsewhere, it was cold and bitter. At a time when virtually every newspaper’s staff was being cut in an effort to stay ahead of diminishing revenues, the *Post* was moving in an entirely different direction.

Insiders at the *Post* emphasize that Bezos is operating the *Post* as a business, not as an extravagant personal plaything. Although he has bolstered the newsroom, its staffing remains well below the level it reached at the peak of the Graham era. But almost alone among owners of major newspapers, he has shown a willingness to invest now in the hopes of reaching future profitability.

The Washington Post’s revival under Jeff Bezos is not just the story of one newspaper. Of far more significance is what it might tell us about prospects for the newspaper business as a whole. Because the internet has led to profound changes in the way journalism is distributed and paid for (or not paid for), newspapers have been struggling since the mid-1990s, slowly at first and more rapidly during the past decade. The purpose of this paper is to analyze what steps Bezos and his team are taking to restore the *Post* not just to its former status as a powerhouse news organization with the resources to compete as a leading source of national and international news, but also to achieve some measure of profitability—and perhaps to serve as a lesson for newspaper owners everywhere.

As we will see, Bezos’s *Post* has invested an enormous effort in building the paper’s digital audience, now the largest among American newspapers. In 2014 Matthew Hindman, a professor of media and public affairs at George Washington University, identified a number of steps that newspapers should take to increase online traffic. Significantly, the *Post* has taken every one of them: it has boosted the speed of its website and of its various mobile apps; it has lavished attention on the design and layout of those digital platforms; it is developing personalized recommendation systems; it is publishing more content with frequent updates; it regularly tests different headlines and story treatments to see which attract more readers; it is fully engaged with social media; and it offers a considerable amount of multimedia content, with a heavy emphasis on video.⁷

The strategies Bezos is pursuing are applicable to any newspaper: invest in journalism and technology, understanding that a news organization’s consumers

will not pay more for less; pursue both large-scale and elite audiences, a strategy that could be called mass and class; and maintain a relentless focus on building the size of the digital audience. The specifics of how the *Post* is dealing with those challenges will be discussed later in this paper.

Bezos, who rarely speaks to journalists (even reporters at the *Post*), was not interviewed for this paper. He did not respond to a number of requests sent by email and regular mail over a period of months to him and to several public-relations executives at both Amazon and the *Post*. But in his remarks at the dedication, he said he bought the *Post* because of its importance as an institution—and he emphasized that transforming it into a profitable enterprise will make it stronger journalistically as well.

“The people who meet with me here at the *Post* will have heard me many times say we’re not a snack-food company. What we’re doing here is really important. It’s different,” he said. “This needs to be a sustainable business because that’s healthy for the mission. But that’s not why we do this business. We’re not just trying to make money. We think this is important.”

A Breathtaking Decline

The disintegration of the news business—and, especially, of newspapers, which continue to produce most of the journalism aimed at holding government and other powerful institutions to account—has been nothing short of breathtaking. Paid daily circulation in the United States fell from a post-1940 high of more than 60 million in 1968 to just 40.4 million in 2014, with a similarly calamitous decline on Sundays. Advertising revenue plunged from \$49.4 billion in 2005 to just \$19.9 billion in 2014; even worse, the digital share of that total, \$3.5 billion in 2014, had barely budged since 2007. Full-time newsroom employment fell from 56,900 in 1989 to 36,700 in 2013.⁸

Thus no small amount of hopeful longing greeted Bezos’s acquisition of the *Post* in 2013. Two other wealthy newspaper owners also gave rise to some cautious optimism that year—Aaron Kushner, a former greeting-card executive who was rebuilding *The Orange County Register*, and Boston Red Sox owner John Henry, a wealthy financier who purchased *The Boston Globe* just three days before Bezos made his move. By the spring of 2016, though, Kushner was long gone and Henry was having his ups and downs with the *Globe*. Bezos, on the other hand, was firing on all cylinders.

One of the most significant milestones of the Bezos era came in October 2015, when the *Post* moved ahead of *The New York Times* in web traffic. According to the analytics firm comScore, the *Post* attracted 66.9 million unique visitors that month compared to 65.8 million for the *Times*—a 59 percent increase for the *Post* over the previous year.⁹ And the good news continued. In February 2016, according to comScore, the *Post* received 890.1 million page views, beating not just the *Times* (721.3 million) but the traffic monster *BuzzFeed* (884 million) as well, although by some measures *BuzzFeed* continued to be ahead. The only

American news site that attracted a larger audience was CNN.com, with more than 1.4 billion page views.¹⁰

The *Post*'s growth in online readership has been accompanied by a continuing drop in paid print circulation. As is the case with virtually all newspapers, the *Post*'s print edition has shrunk substantially over the years and will almost certainly continue to do so. In September 2015, the Alliance for Audited Media reported that the *Post*'s weekday circulation was about 432,000—just a little more than half of its peak, 832,000, which it reached in 1993. Sunday circulation, meanwhile, slid from 881,000 in 2008 to 572,000 in September 2015.¹¹ Given the newspaper business's continued reliance on print for most of its revenues, the Graham family clearly would have faced a difficult challenge if the decision hadn't been made to sell the paper.

Indeed, under Graham family ownership, the size of the *Post*'s newsroom had been shrinking for years. Under Bezos, it has been growing. As of March 2016, the *Post* employed about 700 full-time journalists, an expansion of about 140 positions from the time that Bezos bought the paper. That's about half the number employed by *The New York Times*, but it is enough to allow the *Post* to deploy reporters both nationally and internationally to a degree not previously possible. In addition, the *Post* has bolstered the ranks of its engineers by thirty-five positions since Bezos assumed ownership, with eighty engineers working alongside journalists in the newsroom.¹² Those engineers—led by chief information officer and vice president of technology Shailesh Prakash, a highly regarded Graham-era holdover—are involved in an array of projects, from building the paper's website and apps, to designing tools for infographics and database reporting, to developing an in-house content-management system and analytics dashboard.

Then there are the intangibles. Bezos had the good sense to retain not just Prakash but also Marty Baron, who had been hired by Katharine Weymouth, the last of the Graham family publishers. Baron is widely considered to be one of the best editors working today. (A headline in *Esquire* asked, "Is Martin Baron the Best Editor of All Time?"¹³) In addition, the *Post* won national attention—and Pulitzer Prizes—for its coverage (along with *The Guardian*) of Edward Snowden's revelations about the National Security Agency, lapses within the Secret Service, and police-involved shootings of civilians.¹⁴ The paper's principled and very public advocacy on Jason Rezaian's behalf served as a reminder of the *Post*'s institutional importance.

Baron speaks of Bezos's approach as one of a willingness to try out a variety of new ideas in the hopes that some of them will work.

"He said at the beginning—he was absolutely straightforward about it—that he didn't have a plan in his pocket, he wasn't coming in with the magic pill, the silver bullet, whatever term we want to use," Baron told me. "He wanted to try a lot of different things, most of which have worked pretty well and others that are still to be proven out."¹⁵

Bezos actually represents *The Washington Post*'s second brush with New Economy wealth. The first came in 2005, when Post Company chief executive Donald Graham graciously allowed Mark Zuckerberg—then the twenty-year-old

founder of a tech start-up called Thefacebook—to walk away from a handshake agreement that would have given the Post Company a 10 percent stake in return for a \$6 million investment. Zuckerberg accepted a higher offer from Accel, a Silicon Valley–based venture-capital firm. Zuckerberg and Graham remained close, with Graham later serving as a member of Facebook’s board. But the opportunity to fund the *Post* with Facebook riches was lost.¹⁶

During the final years of Graham ownership, the *Post* got much, much smaller. In 2008, with losses mounting, 231 employees took early-retirement buyouts. Over the previous five years, the size of the newsroom had shrunk from more than 900 full-time journalists to fewer than 700.¹⁷ The Post Company’s revenues fell by 10 percent, to \$3.15 billion, during the first three quarters of 2011. Profit was down 72 percent, to \$55 million.¹⁸ Toward the end, the *Post* itself was losing money, at least on paper: the company’s newspaper division (which also included a few smaller publications) reported an operating loss of \$9.8 million in 2010, \$18.2 million in 2011 (later revised to \$21.2 million), and \$53.7 million in 2012, according to filings with the Securities and Exchange Commission.¹⁹

Despite all that, Don Graham, in messages to shareholders and employees, said that the *Post* remained profitable in the years leading up to the sale. In the Washington Post Company’s 2012 annual report, Graham wrote that the *Post* had recorded its third straight profitable year “before one-time costs and non-cash pension expense.” And in his remarks to *Post* employees on the day that the sale to Bezos was announced, he said that cost-cutting had enabled the *Post* to remain in the black. “As the *Post* fell to tens of millions of dollars in losses in 2009, I wasn’t sure the paper could be profitable again soon,” Graham said. He praised publisher Katharine Weymouth (his niece) “and her outstanding team” for returning the paper “to cash-flow profitability the next year, and it remains there, making your job and Jeff’s far easier.”²⁰

Indeed, Graham sounded as though his family might be able to keep the *Post* indefinitely when he spoke with interviewers in April 2013. “We are uniquely structured so we didn’t give a damn what we made for any given quarter or any year,” he said. “That remains the great strength of the place. As a business, the Washington Post Company can be genuinely, no kidding, long-term-minded. If somebody said to me there’s a way out for newspapers but you’re going to have to lose \$100 million a year to get there four to five years from now I would sign up for it in a minute.”²¹

Four months later, Graham announced that Jeff Bezos would buy the *Post*.

On Monday, August 5, staff members gathered in the *Washington Post*’s auditorium for a 4:30 p.m. meeting. As rumor had it, Graham would announce that the paper’s building had been sold. The news turned out to be quite a bit more significant than that. In an interview with his own paper, Graham echoed what he had said in April, that the sale was not strictly necessary. Nevertheless, he suggested that continued Graham-family stewardship would have meant a subsistence existence for the *Post*, and he wanted more than that. “The *Post* could have survived under the company’s ownership and been profitable for the foreseeable future,” Graham said. “But we wanted to do more than survive. I’m

not saying this guarantees success, but it gives us a much greater chance of success.”²²

Within a few weeks, Bezos arrived in Washington for two days of meetings to see what he was getting for his \$250 million. During a town hall–style meeting with employees, he made it clear that he had thought a great deal about what the *Post* needed to move forward. He promised to support the paper’s investigative reporting efforts. And he identified a story that he particularly liked, “9 questions about Syria that you were too embarrassed to ask,” which combined substantive background information on that country’s conflict, an informal tone, and even a link to a song by a Syrian pop star.²³ It was exactly the kind of serious story with a light approach that has come to define a certain subset of *Post* journalism.

Intriguingly, Bezos also outlined a couple of thoughts that seemed more in keeping with those of a digital troglodyte than with someone who had built one of the world’s most successful technology companies. The first were his lamentations over the rise of aggregators such as *The Huffington Post*, which could rewrite a story that had taken journalists months to report “in seventeen minutes,” as he put it. The second was his belief in the primacy of the “bundle”—that is, the package of local, national, and international news, sports, culture, business, entertainment, comics, and everything else that comprised the traditional print newspaper. Bezos was not advocating a return to print, of course, though he said it would continue to be an important medium for readers who lived in the Washington area. But he did say that he thought selling a *Washington Post* bundle to subscribers via tablet was a more promising proposition than getting people to pay for one story at a time on the web. “People will buy a package,” Bezos said. “They will not pay for a story.”²⁴

Bezos’s latter point brought a retort by one of the *Post*’s own journalists, Timothy B. Lee, who wrote that social sharing through Facebook and Twitter was simply a superior way of being exposed to the best journalism across the web. A new generation of news consumers, Lee said, had no interest in chaining themselves to—and paying for—news from just a few outlets. “Trying to recreate the ‘bundle’ experience in Web or tablet form means working against the grain of how readers, especially younger readers, consume the news today,” Lee wrote. “In the long run, it’s a recipe for an aging readership and slow growth.”²⁵

Lee’s warnings notwithstanding, the *Post* has had some success in appealing to younger readers. Citing statistics from comScore, the *Post* reported that it had 56 million mobile users in March 2016, an increase of 61 percent over the previous year. Even more encouraging, 45 percent of the *Post*’s mobile audience were millennials. Mobile usage matters. ComScore found in 2014 that millennials—generally defined as people between the ages of eighteen and thirty-four—are not only more likely to access the internet on their smartphones or tablets than are older generations, but a significant proportion of them use mobile exclusively.²⁶ That proportion is only going to grow over time.

Essentially, Bezos has taken a multifaceted approach, embracing the bundle that Timothy Lee disparaged as well as social media. And he is offering different versions of that bundle aimed at different types of news consumers.

Winning by Losing

So who is Jeff Bezos? He is the founder and chief executive of one of what are arguably the five most important technology companies (the others being Apple, Google, Facebook, and Microsoft), but the details of his life are not as well-known as is the case with celebrity peers such as Mark Zuckerberg, Steve Jobs, or Bill Gates. His background, in some respects, is more conventional than Zuckerberg's, Jobs's, or Gates's as well—he actually finished college (Princeton) and held a good job with a small financial firm, D.E. Shaw, before the entrepreneurial bug bit.²⁷

For many years Amazon lost money, thriving mainly through the benevolence of its true believers on Wall Street. Nor did it look much like a technology company; selling stuff on the internet is more L.L. Bean than Google. But as Amazon has diversified, its image as merely a retailer has evolved. The Kindle changed the way we read books. Amazon Web Services, or AWS, provides cloud computing for organizations ranging from Netflix to the CIA. The Echo, a voice-activated device that plays music, compiles shopping lists, and automates various other tasks, has proved so popular that Amazon can't keep them in stock.²⁸ Amazon's core retail business is still not wildly profitable, with a 3 percent operating margin in 2015 on \$71.8 billion in e-commerce sales. By contrast, AWS's operating margin was an eye-popping 24 percent—but revenue was a comparatively small \$7.9 billion.²⁹

Brad Stone, the author of *The Everything Store*, which tracks the rise of Amazon, told me that the parallels between Amazon and the *Post* are clear. “He's lost money more often than he's made money, and it's all part of his long-term plan,” he said. “You've got someone with a real appetite for the pain of the news business right now.”³⁰

Stone's book is an object lesson in how difficult it can be to report on Bezos. Not only did Bezos decline to be interviewed for the project, but after *The Everything Store* was published Bezos's wife, MacKenzie Bezos, wrote a withering one-star review of it on—yes—Amazon. Her major complaint was with Stone's depiction of Amazon's workplace culture, which comes across as abusive in the Darwinian manner typical of technology companies. If anything, though, Stone went easy on Amazon when his book is compared with a 2015 *New York Times* exposé that featured tales of brutalized employees crying at their desks.³¹

Stone also depicts Bezos as trying to tone down his excesses as he grows older. In one encounter, he humiliated several of his top employees in what Stone calls “his customarily devastating way,” started to leave—and then turned around and said, “But great work, everyone.”³²

Bezos's efforts at improving his self-control have been evident at *The Washington Post*. His interactions with rank-and-file employees have not extended beyond a few appearances at the paper, but his top executives engage with him in regular conference calls and occasional retreats in Seattle. Of the people I interviewed, not one suggested that Bezos was anything other than a supportive, caring boss. Yes, of course you would expect that. But there are ways

of getting across the idea that the Bad Jeff makes at least an occasional appearance. I heard none of that.

“He’s just set the right tone. And that’s what has helped all of us who deal with him, including my engineers, feel good about the work we do,” Shailesh Prakash told me. “We believe we have an owner who respects the past but at the same time wants us to be innovative.”³³ When I asked Marty Baron about Bezos’s reputation for being difficult, he replied, “I haven’t encountered that at all. I think that he asks good questions. He likes data to support things rather than just feelings. But I have found him to be committed to our mission, has a good sense of it, has good ideas, and has brought not only the financial capital that we need but intellectual capital, which I think is at least as important. And my own experience doesn’t reflect whatever has been written elsewhere, so it has been a positive experience as far as I’m concerned.”³⁴

Several stories about Amazon’s rise stand out for their relevance to the *Post*. There was his emphasis early on to “Get Big Fast,” thus establishing Amazon as a formidable competitor in the marketplace before established retail giants such as Barnes & Noble and Wal-Mart could respond. At the *Post*, too, the emphasis has been on building the digital audience as rapidly as possible. “He just wants us to grow. He wants us to get big,” Marty Baron said during an appearance at the Harvard Kennedy School in April 2016.³⁵ As Bezos himself put it in a public conversation moderated by Baron in May 2016, “We have historically made a relatively large amount of money per reader on a relatively small number of readers. And we need instead to make a relatively small amount of money per reader on a much larger number of readers.”³⁶

Also intriguing is Bezos’s embrace of disruption theory. Bezos is said to be an admirer of Harvard Business School professor Clayton Christensen’s book *The Innovator’s Dilemma*, the defining work on the subject. Christensen argues that established companies find it difficult, if not impossible, to respond to lower-cost competitors because they don’t want to jeopardize their existing business. Thus, early in Amazon’s rise, Bezos exploited Barnes & Noble’s reluctance to go all-in with online book sales, a step that would have harmed its brick-and-mortar stores. Later on, Bezos issued instructions for developing what would become the Kindle: “Your job is to kill your own business. I want you to proceed as if your goal is to put everyone selling physical books out of a job.”³⁷ Given the state of the newspaper business, Bezos’s willingness to sacrifice the old way of doing things in favor of innovation could prove vital.

It is Bezos’s embrace of long-term thinking at Amazon, though, that holds the most promise and significance for the *Post*—and for newspapers generally. “If you look at why Amazon is so different than almost any other company that started early on the internet, it’s because Jeff approached it from the very beginning with that long-term vision,” Bezos’s friend Danny Hillis told Brad Stone. “It was a multidecade project. The notion that he can accomplish a huge amount with a larger time frame, if he is steady about it, is fundamentally his philosophy.”³⁸

If it were possible to point to a single decision Jeff Bezos has made that transformed the internal ambitions and external perceptions of *The Washington*

Post, it was to turn the *Post* into a truly national newspaper. The move resolved a tension that had extended at least back to the Watergate era, when Katharine Graham attempted to take advantage of the paper's growing reputation by launching a national weekly edition. The edition, a compilation of *Post* stories from the previous week, had a circulation of about 150,000 at its peak. By the time it was shuttered, in 2009, that number had slid to about 20,000.³⁹ (The *Post* announced in 2014 that it would attempt a new weekly print edition, to be distributed by regional partner newspapers.⁴⁰ The venture has received little public attention since then.)

Even though the *Post* was largely unavailable outside the Washington area during those years, much of its journalism was national in scope—and not just Washington-based national stories. A number of larger regional newspapers had national and international correspondents during this pre-internet era, but the *Post* was especially ambitious. Still, the *Post*'s reputation as a well-regarded paper that few people actually got to see outside the Washington area created problems for its reporters. For instance, Michele Norris recalled the difficulties she had in trying to cover violent unrest in Los Angeles in 1992 following the acquittal of four police officers in the videotaped beating of Rodney King.

“As a *Washington Post* reporter, it was harder for me,” she said during a Nieman Foundation panel discussion in early 2016. “We had a harder time because people were thinking, ‘Who’s going to read this?’ *The Washington Post* was not a national newspaper at that time. You could not find *The Washington Post* in Los Angeles. You had to go to a specific newsstand in Westwood. You would get it at two in the afternoon after it was flown cross-country.”

By contrast, Norris's fellow panelist, Wesley Lowery, who has been covering the Black Lives Matter movement for the *Post* since the death of Michael Brown in 2014, said he has encountered no such obstacles. “When I got into Ferguson, Missouri, and I was talking to people on the street corners, no one was saying, ‘I’m not going to talk to you because I want to talk to *The New York Times*,’” he said. “We’re all national reporters. We’re all starting from zero. I can build my credibility in this space. I can build a reputation in this space.”⁴¹

Although newspapers, including the *Post*, still earn most of their revenues from print, the shift to digital favors large national players over regional and local papers. As Matthew Hindman found in 2014, news sites receive only about 3 percent of all web traffic—and most of that goes to national news organizations, with only about half of 1 percent going to local news sources.⁴² In order to achieve the kind of growth that Bezos wants, moving away from the *Post*'s historically regional orientation was a necessity.

Another key change Bezos made was to take the *Post* private, reversing a decision by Katharine Graham two generations earlier. Without an infusion from Wall Street, Graham believed, she would have had to sell one of the paper's television stations (it continues to operate a number of media and educational properties—minus *The Washington Post*—as the Graham Holdings Company). But the move did not come without some cost to the paper's journalistic culture. Executive editor Ben Bradlee resigned from the company's board so that his

salary would not be revealed, and the paper would forever after face the pressure of meeting the relentless demands for profits from the company's shareholders.⁴³

Indeed, as newspaper after newspaper fell into the hands of publicly traded companies in the 1970s, '80s, and '90s, cutting costs in order to rack up ever-higher profits led to diminished journalistic capacity in the years before the internet-fueled collapse of the past decade. In 1996 the journalist James Fallows decried the "counting-house mentality" of such ownership, which led to downsized newsroom and cuts in spending "to satisfy quarterly earnings demands."⁴⁴ Ben Bagdikian, a former national editor of the *Post*, offered a similar critique, writing that some local newspapers owned by the publicly traded Gannett chain recorded profit margins of 30 percent to 50 percent—an extraordinarily high rate of return incompatible with the inherently high labor costs of running a first-rate news operation.⁴⁵

Public ownership can also make it difficult for management to invest in needed innovations. Faced with the question of whether to spend on a faster, more attractive website or to return that money to shareholders, too many newspaper executives choose the latter—and may in fact have to choose the latter in order to meet their fiduciary responsibilities. The situation may never have gotten quite that dire under Graham family ownership. As with the Sulzbergers, who control *The New York Times*, the Grahams put together a complicated structure that guaranteed they would hold a majority of the voting shares—an arrangement that occasionally proved unpopular with outside shareholders, but that nevertheless preserved a viable level of funding for news.⁴⁶

Still, Jeff Bezos, as the sole owner of his newspaper, has the freedom to invest in ways that the Grahams lost once they'd made the decision to go public.

The Editor Speaks

Martin Baron, sixty-one years old when I interviewed him in March 2016, is widely recognized as the preeminent American newspaper editor. Before coming to the *Post*, Baron made stops as an editor at the *Los Angeles Times* and *The New York Times*, and as the top editor of the *Miami Herald* and *The Boston Globe*, where he worked from 2001 to 2012. Baron's time at the *Globe* was, to invoke a cliché, one of triumph and turmoil. In 2003 the *Globe* won the most prestigious of the Pulitzer Prizes, the Public Service Award, for its coverage of the pedophile-priest crisis in the Catholic Church—the subject of the Academy Award-winning movie *Spotlight*. But it was also Baron's job to cut the newsroom. His choice—to eliminate the *Globe*'s international and national bureaus in order to preserve the paper's regional coverage and investigative capacity—was surely the right one, but it was disheartening to longtime *Globe* readers.

Baron's office at the *Post*'s new headquarters was smaller than I had expected. We sat at a conference table next to a human-sized cardboard cutout of an Oscar statuette, which he said was waiting for him after he returned from the Academy

Awards gala in Hollywood. He also showed me a small chocolate Oscar he'd brought home. Soft-spoken and businesslike, with graying reddish hair and a closely trimmed beard, Baron talked for an hour about life at the *Post* under Jeff Bezos.

"I was completely shocked, obviously," Baron said when I asked him about his reaction to the news that Bezos would buy the *Post*. "I told people when I came here that while the *Times* was probably likely to sell the *Globe*, it was highly unlikely that Don Graham would be selling *The Washington Post*. So I was kind of stunned when I heard about it. But I thought that it could have some real advantages for us"—a reference to Bezos's preference for growth over cutting and his deep understanding of technology and consumer behavior. "I did not know if it would be a good thing for me personally," Baron added, "because obviously when a new owner comes in he has the absolute right to pick who he wants to run the organization that he has acquired. He said positive things at the beginning, but my sense was that it would be a year of figuring out the place and deciding what he wanted to do."⁴⁷

Bezos presides over an hour-long conference call with the *Post*'s top executives every other week. "It starts on time, ends on time; it's very disciplined," Baron said. "He gets all of the material in advance. We don't use it to go through presentations. We use it to review any questions that he might have or to embark on any broader discussions." The *Post*'s leadership also travels to Seattle twice a year for a day of meetings. Baron said those meetings run from around noon to 6 p.m., followed by dinner.

Baron and I also talked about how the *Post* was able to amass a larger digital audience than *The New York Times* despite having a similar journalistic mission and a staff that's just half the size of the *Times*'s. His answer was two-fold: first, that the *Post* is not competing with the *Times* so much as it is competing for people's attention, whether it be with *The Huffington Post*, *BuzzFeed*, *Politico*, or *Vox*; and second, that "we are doing things that are much more attuned to the digital environment" by "treating the web as a distinct medium." Among the examples Baron cited: hiring young digital-native journalists who write with a distinctive voice and who are unconcerned as to whether their stories appear in print; embracing multimedia tools such as video, the publication of original documents, and annotation (presidential debate transcripts, for instance, have been marked up with highlighted comments by *Post* journalists); and writing engaging headlines that are not constrained by the artificial confines of column width, as are print headlines.

"I mean, look, radio is different from newspapers, television is different from radio," Baron said. "Here comes the web. We should be different, and mobile might be different, too."

Now, I would argue that the *Times*'s approach to digital, although different from the *Post*'s, is every bit as engaging and innovative. But the *Post* also relies on a presentation for some types of material that clearly seems aimed at maximizing shares and eyeballs. Baron doesn't like the term "clickbait," and I agree that that's not quite the right word. After all, "clickbait" suggests that the underlying story does not live up to the promise of the headline, and that's rarely the case with

Post journalism. But the *Washington Post* experience can vary quite a bit depending on how you access that journalism. The print paper mixes heavy and light fare, the serious and the entertaining, in a way that isn't much different from what news consumers are used to. The website and the apps, though, often take a more viral approach.

That's especially true with the national digital edition—a colorful magazine-like app for mobile and tablet that debuted on Amazon's Kindle Fire and has since migrated to other platforms. As I perused the national app on my iPhone on a Wednesday afternoon in April 2016, I saw stories such as “O Cannabis! Canada Moves to Legalize Marijuana in 2017” (illustrated with a pot-festooned Canadian flag); “What Your First Name Says about Your Politics”; and “Diet Coke Is Getting a New Look.” To be fair, these stories were well-reported and were interspersed amid more serious news. If I were riding on the subway and looking for something to read, I would have clicked on all of them. And there is nothing wrong with lightening things up as long as the core mission remains in place.⁴⁸

Longtime media critic (and *Post*-watcher) Jack Shafer, now with *Politico*, told me that he's an admirer of Marty Baron's *Post*. “It's as good as it's ever been,” he said. “In terms of accuracy, accountability, imagination, Marty Baron is a genius and an inspirational editor.” As for what Shafer forthrightly called “click-baitery,” he said it was no different from the days when newspaper editors would drop in a “Ripley's Believe It or Not” brief to fill a hole on a page. The idea, he said, is to make the *Post* a “habit,” explaining: “You're sitting there, you're bored, or you're angry at your editor, and you just want a media moment. It turns out that there's a much larger market for that than we ever imagined.”⁴⁹

Julia Beizer, the *Post*'s director of product, said the news mix in the national app is different from what's on the *Post*'s other platforms, explaining that it was aimed at “a wider audience that wasn't necessarily familiar with the *Washington Post* brand.” Thus the national app emphasizes more consumer news, more science and health coverage, and less political news. “I think on the national app,” Beizer said, “we are much more approachable in headlines and much more approachable in visuals. It has a different editorial sensibility.”⁵⁰

Marty Baron put it this way: “Being viral doesn't mean clickbait, and writing a headline and using a photo that would cause somebody to share something on a serious subject doesn't make it clickbait. We do write headlines that we think will lead to sharing, and in many ways they get to the point a lot better. I mean, newspaper headlines are terrible, right? They all have to be constrained within column sizes, so if you have a one-column head it's all headline-ese. People don't speak in headline-ese. The web and our apps allow us to write in a way that people speak.”

The *Post*'s digital growth has also been fueled simply by offering much more content (a word Baron doesn't like, by the way). The *Post* publishes a lot of material online—about 1,200 pieces a day—and a good deal of that never finds its way into print.⁵¹ Blogs such as “Morning Mix” and “World Views” aggregate national and international news reported by other media outlets (call them Bezos's revenge against *The Huffington Post*). Another online-only feature is “Post Everything,” opinionated essays by outside contributors. Some blogs, such as

“Wonkblog” (which explains the background behind news and policy and has continued despite the departure of its founder, Ezra Klein, and some of his staff, who founded a similar venture called *Vox*) and Erik Wemple’s media blog, are mostly online but occasionally break into print. “PowerPost” offers a deep dive into politics. And some blogs are actually independent ventures hosted by the *Post*, including “The Volokh Conspiracy,” which covers legal issues, and “Monkey Cage,” which delves into political-science research. This sheer amount of stuff helps explain why the *Post*’s page views (988 million in March 2016, up 84 percent over the previous year, according to comScore) are increasing at a faster rate than its number of unique visitors (73 million, an increase of 40 percent).⁵²

One subject that often arises when asking about Jeff Bezos and *The Washington Post* is whether the *Post* can cover Amazon independently and impartially. It’s not unusual for a news organization to have an owner with outside interests that deserve coverage. But Amazon represents a particular challenge given its size, influence, and cultural impact. Amazon, after all, is largely responsible for disrupting the book industry. Amazon Web Services does business with the CIA.

When Bezos met with *Post* staff members a month after he announced he would buy the paper, he told them that they should “feel free to cover Amazon any way you want, feel free to cover Jeff Bezos any way you want.”⁵³ To date, there have been no reports that Bezos has tried to interfere with the *Post*’s news coverage. Indeed, within days of the announcement that the *Post* would be sold, the paper published an in-depth examination of Bezos and Amazon that could fairly be described as warts and all—he was described as “ruthless” and a “bully” in his dealings with competitors and as a boss who was known for launching “tirades” that “humiliated colleagues.”⁵⁴

As is his custom, Bezos declined to cooperate with the team of reporters who worked on that story. But Kimberly Kindy, a national investigative reporter who was among those journalists, told me there were no repercussions from Bezos after publication. “I don’t think that we have shied away from covering him. And he certainly has invited us to,” she said.⁵⁵ Kindy’s *Post* career has thrived under Bezos’s ownership. Among other things, she was deeply involved in a massive effort to document fatal shootings of civilians by police—a project that won the 2016 Pulitzer Prize for National Reporting.⁵⁶

On the other hand, it was *The New York Times*, and not *The Washington Post*, that garnered national attention in the summer of 2015 by publishing a lengthy, highly critical investigative story about Amazon’s workplace culture.⁵⁷ For anyone who had read Brad Stone’s book, there was little new information. Indeed, it struck me that the *Times*, unlike Stone, missed some crucial context in its implication that Amazon was uniquely awful rather than merely awful in the manner that’s typical of hard-charging technology companies. Still, the story created a sensation. Former White House spokesman Jay Carney, who’d become Amazon’s senior vice president for global corporate affairs, fired back by writing a blog post for *Medium* in which he accused the *Times* of relying on a handful of disgruntled ex-employees.⁵⁸ Bezos himself wrote a memo to his employees, writing, “The article doesn’t describe the Amazon I know or the caring

Amazonians I work with every day.”⁵⁹ Months later, Bezos defended his company when asked about the *Times* story, saying at a conference organized by the technology website *Recode*, “I’m very proud of the culture we have at Amazon. I think of it as a gold standard culture for innovation and pioneering work.”⁶⁰

Regardless of the merits of the *Times*’s story, Jack Shafer argues that it may be too much to ask that the *Post*, of all media outlets, would take the lead on in-depth enterprise reporting regarding the dark side of Amazon. “To expect a newspaper to be a fifth column against itself and its owners is naive and probably without precedent,” Shafer told me.⁶¹ Erik Wemple, on the other hand, said he hoped the *Post* could engage in such reporting if it was warranted. “It would be incredibly awkward to commission a big investigative story. And I hope we do endure that awkwardness,” Wemple said. “Bezos’s dream of a paper of record necessitates tough coverage of Amazon.”⁶²

Baron, for his part, said he has no intention of letting Bezos’s ownership of the *Post* interfere with the way his journalists cover Amazon. “Jeff said at his first town hall here, ‘You should cover me and cover Amazon the way you would cover any other company and any other chief executive,’ and I’m fine with that,” Baron said. “On multiple occasions since then he has repeated that. He said the same thing to me personally. And I said, ‘Good, because that’s what I’m planning to do.’ And I have never heard from him about a single story about Amazon or anything like that.”

A Culture of Experimentation

For all the optimism inspired by Bezos’s wealth and legendary patience, it would be a mistake to come away believing that he intends to transform *The Washington Post* through unlimited spending. He bought a paper with about 560 journalists and boosted that to 700—well below the more than 900 who had worked at the *Post* some years earlier, never mind the 1,300 he would have needed to match *The New York Times*.

The *Post* was marginally profitable when Bezos bought it, but it had achieved that through cost-cutting. Given the investment in staff and the costs associated with moving into new headquarters (not to mention the continued shrinkage of the newspaper business in general), it seems likely that the *Post* is currently losing money. But though the *Post* does not disclose its financial results, insiders suggest it would be wrong to assume that the paper is being kept afloat on a river of red ink. By all appearances, Bezos is taking a disciplined, methodical approach in rebuilding the *Post*.

“There’s obviously stuff I can’t share, but I can tell you that Jeff is a businessman, and there’s a reason why he’s gotten where he’s gotten,” said Beth Diaz, the *Post*’s vice president of audience development and analytics. “It’s not about spending endless sums of money. Jeff has said that he’s given us runway, but he’s also made clear that runway doesn’t go on forever. And so there is a path that we’re on, and I actually feel quite confident that we’re getting there.”⁶³ Ken

Doctor, a respected analyst of the media business, told me that he understands Bezos “has subsidized a small operating loss,” and that the *Post* is working toward narrowing or eliminating that loss in the near future.⁶⁴

If the *Post* is to succeed, that success will be based on three ingredients: outstanding journalism, especially of national and international issues; a large and growing digital audience; and a strategy to convert that audience into enough revenue, through digital subscriptions and advertising, to cover the *Post*’s costs, or perhaps even to turn a profit. The first two ingredients are already in place. The third is as much of a challenge at the *Post* as it is in the rest of the beleaguered newspaper business.

“If you start with the assumption that nobody, as far as I can tell, has a prescriptive plan for how to get to a sustainable business in media, then really the only route open is to experiment to try and find that model,” Shailesh Prakash told me.⁶⁵

Thus the *Post* is aggressively pursuing sustainability through a variety of measures. Advertising remains an important part of the revenue mix. But perhaps the more promising strategy is to persuade visitors to become paid digital subscribers.

The idea, not unique to the *Post*, is to pull visitors down through a “customer-engagement funnel.” At the top of the funnel is what might be called drive-by traffic—casual visitors who saw a link on Facebook or Twitter, or from a friend’s email, and decided to click. A visitor who sticks around for a few minutes and reads the story will see related stories and perhaps sample a few of those, thus pulling her into the funnel. Farther down are people who begin to visit the *Post* more regularly. And at the very bottom of the funnel are visitors who have become loyal enough *Post* readers that they decide to pay for a subscription to the digital bundle that Bezos has identified as a key to the paper’s future. The goal is to widen the top of the funnel as much as possible by maximizing total digital traffic and to convert some small percentage of that traffic into loyal, subscription-buying customers.⁶⁶

For the *Post*, this is a new strategy. Don Graham was late to the notion of persuading readers to pay for digital journalism. As recently as 2012 he said the *Post*’s anomalous circulation pattern—a regional newspaper whose online audience was overwhelmingly outside the Washington area—made it unlikely that he’d erect a paywall along the lines of *The New York Times* or *The Wall Street Journal*. “Circumstance has made it so we’re the one great news company that’s free at this point,” he said in July 2012.⁶⁷ Barely weeks before Graham sold his family’s newspaper to Bezos, though, he reversed course, adopting a metered model of the sort used by the *Times*, *The Boston Globe*, and many other papers, offering a limited amount of free content every month before visitors would be asked to pay.⁶⁸

Compared to the paywall put in place in 2011 by *The New York Times*, the *Post*’s is both leaky and inexpensive. Examples of the former: a free digital subscription to the *Post* is available to anyone with an email address ending in .edu (education), .gov (government), and .mil (military), and to anyone who subscribes to one of more than 300 local newspapers around the country. As for

the latter, not only are the basic *Post* digital subscriptions less expensive than the *Times's* (especially the national digital edition, which excludes local news), but they are also offered at a huge discount (with six months of free access) to Amazon Prime's more than 50 million members and to Kindle Fire users.⁶⁹

The Prime and Kindle deals increase the value of a consumer's relationship with Amazon by including a high-quality national newspaper and by offering it at such a low price that there is little reason to go to the trouble of canceling it. "I think what Bezos wants to do is bundle *The Washington Post* with Amazon Prime," said Jack Shafer, pointing out that the service already offers streaming music and movies. A digital newspaper with substantial video offerings fits well with that suite of media options.⁷⁰ It could also change the calculation for what defines a financially sustainable *Post*.

The *Post* does not report how many paid digital subscribers it's attracted so far; as a privately held newspaper, it doesn't have to, and Bezos is known for keeping information close to his vest. I asked Beth Diaz when the *Post* will report how many digital subscriptions it's sold, and she replied, "I would not wait with baited breath."⁷¹ But Ken Doctor told me he believes the *Post* is rushing to catch up with *The New York Times*, whose five-year-old paywall had attracted 1.2 million digital-only subscribers as of May 2016. Doctor estimated that the *Post* had signed up something in excess of 200,000 paid digital subscribers as of May 2016.⁷²

During my visit to the *Post*, I was exposed to a dizzying array of technology and experimentation. I took a virtual-reality tour of Mars that was so immersive it took me several minutes to get my legs back under me. I talked with members of Shailesh Prakash's team about projects they're working on such as Coral, an open-source collaboration with Mozilla and *The New York Times* to improve the quality of online comments. I learned about tools that have been developed to allow a journalist to drop a poll or an infographic into a blog post without having to create it from scratch, and to help *Post* editors connect with freelance journalists on a moment's notice. I saw the *Post's* extensive video facilities, which are used for projects such as short documentaries and live coverage of debates and other events.

Prakash has been with the *Post* since 2011 following stints at Microsoft, Netscape, and—oddly—Sears. I asked Prakash what he had learned from Sears that he hadn't learned from working at technology companies. "Sears seasoned me to a non-tech company and helped me to do a better job and find a better balance at a place like *The Washington Post*," he replied.⁷³

Perhaps the most technologically important step the *Post* has taken followed a mandate from Bezos himself. After a reader complained to Bezos that it took too long for one of the mobile apps to load, Bezos told Prakash that he needed to do better. "We looked at the problem and I told Jeff I thought we could improve the load time to maybe two seconds. He wrote back and said, 'It needs to be milliseconds,'" Prakash told *The Wall Street Journal*. "He has become our ultimate beta tester."⁷⁴

Bezos also had a hands-on role in designing a product that serves the bottom of the customer-engagement funnel—the apps for the national digital edition, the

development of which was known at one time as Project Rainbow. Although the tablet and smartphone versions look similar, offering a brightly colored magazine-style layout, they actually are not.

The smartphone app is updated throughout the day, and you scroll through it in a manner similar to the way you would with any news app. The tablet app is different. For one thing, it's updated just twice a day, publishing 5 a.m. and 5 p.m. editions on the assumption that users are sitting down and reading rather than quickly catching up on the news as they would with mobile.⁷⁵ For another, the national app literally has no home page—a design decision that Prakash told *Digiday* was Bezos's idea. Bezos originally wanted the user to see just one article upon launching the app; he and Prakash compromised at two, with the idea being to balance a serious news story with something lighter.⁷⁶

“The one issue that Bezos highlighted was it's so easy to enjoy reading a newspaper,” Prakash said. “Why is it so hard to do digital browsing? What have you lost when you went from print to digital? And so the philosophy of the product, the gap you are trying to solve, and we are still trying to solve, is to reduce the cognitive overhead of consuming news digitally.”⁷⁷

In order to persuade people to become paid digital subscribers, they first need to be exposed to the *Post's* journalism and be enticed into clicking and reading. For that, the top of the funnel needs to be as wide as possible. Prakash and his team have developed several tools in-house to accomplish that. One, called Bandito, is a form of A/B testing that allows the newsroom to write up to five different headlines and blurbs for a story, choose several different images, and publish all of them to see which one will resonate with readers the most. The treatment that prompts the highest level of engagement in terms of clicks, time spent, and sharing will gradually become the version that all users see. Prakash told me that the next version of Bandito will include more sophisticated tools that determine which treatment works best with international readers, which with the national audience, which on Facebook, and the like.

Another tool, which Prakash and Marty Baron showed off at the South by Southwest conference in Austin, Texas in early 2016, is called Loxodo, a suite of metrics displayed prominently on a video screen suspended between the seventh and eighth floors of the *Post's* headquarters. As Prakash explained it to me, ordinary metrics such as the number of unique visitors and page views are what Bezos refers to as “lag measures”—they're important, but they reflect the results of decisions that have already been made. Bezos, he said, has pushed for the *Post* to embrace “lead measures” that can measure quality and thus build the *Post's* audience. For example, Loxodo scoops up journalism from a variety of news organizations such as *The New York Times*, *Business Insider*, and *The Huffington Post*, strips it of branding, and puts it before a focus group of 500 people to determine how it stacks up compared to *The Washington Post*. Loxodo is also being used to measure how quickly the *Post* is sending out text alerts and whether it is sending too many or too few.

Despite the emphasis on building its paid subscriber base, Prakash and other executives understand that there is another huge audience out there that may be interested in the *Post's* journalism. Although the *Post* makes heavy use of a

variety of distributed platforms such as Twitter, Apple News, Google AMP (for “accelerated mobile pages”), Instagram, and Snapchat, Facebook is by far the most important of those platforms. As do many news organizations, the *Post* shares its journalism on Facebook, driving traffic back to its website. The *Post* and a few other news organizations have also gone a step further, publishing all of their content on Facebook as Instant Articles, part of Facebook’s mobile platform. With Instant Articles, the content resides on Facebook’s servers, meaning that it loads much more quickly than it does when you have to click through to the originating website. Apple News works the same way; Google AMP depends on publishers rewriting their code to new specifications.

Facebook Instant has advantages and disadvantages for publishers, as Prakash acknowledged. Advertising revenue is shared with Facebook under terms that could be changed in the future—most likely to Facebook’s advantage. Publishers do not receive the sort of data that they receive when users visit their own sites, and the *Post* is nothing if not a data-driven enterprise. On the other hand, with ad-blocking technology proliferating across the web, Facebook offers an environment in which most ad-blockers don’t work. And then there is the matter of all those Facebook users. More than a billion and a half unique visitors drop in every day, and a billion of them spend at least twenty minutes on the network.⁷⁸

“That’s a huge number,” Prakash said. “And for us to not piggyback on that platform, especially with our national and international aspirations, I think would not be the right strategy.” Indeed, compared to Facebook’s traffic, the *Post*’s 73 million unique visitors a month is minuscule, as is the one to three minutes per visit people spend at news sites in general.⁷⁹

Prakash said that he and Bezos, in talking about how to deal with distributed platforms, have decided that they need to think of their traffic in terms of a “barbell,” with their website and apps on one side and with Facebook, Apple News, and the rest on the other. “It dilutes the bundle a bit,” he conceded. “We’ve discussed this, we’ve grappled with it. Unfortunately we need to do both. It’s not an option.”

So how does the *Post* move people to the other side of the barbell? Facebook readers who click on *Washington Post* stories are encouraged to provide their email addresses, which the *Post* uses to try to figure out—algorithmically—which of the *Post*’s sixty newsletters might appeal to them. These newsletters cover a range of topics such as the day’s headlines, politics, opinion, science, and entertainment. Arriving by email, with advertising, the newsletters link to various *Post* stories related to the topic. Of course, emailed newsletters are hardly an innovation; they are a standard part of any news organization’s repertoire, from *The New York Times* to the *New Haven Independent*, from CNN to local public radio stations. But the *Post*’s efforts are unusually comprehensive and technology-based.

Another technology initiative that deserves mention is Arc, a content-management system that consists of an interconnected group of tools. As is the case with a number of tech projects at the *Post*, Arc was begun under Don Graham and then encouraged and supported once Jeff Bezos took over. “I often like to say that we were working on all this stuff under Don’s guidance, but when

Jeff bought the company he basically poured gasoline on that effort,” said Shailesh Prakash. “It’s just really taken off.”

Talk with journalists at any news organization and they are likely to tell you how much they hate their unwieldy CMS, which handles tasks such as web publishing, blogging, video, and mobile. (And print, a function that has been omitted from Arc.) A typical CMS, Prakash explained, falls short in one of two ways: it either handles one task well with mediocre support for other components; or the news organization uses various tools that do a good job with all tasks but that don’t communicate with each other. The tools in Arc, by contrast, are discrete but interconnected. Loxodo is part of Arc. So, too, is a module called WebSked, which handles group scheduling and tracks the progress of stories. In a whimsical touch, WebSked includes a feature called the “MartyBot”—an image of Marty Baron that pops up on a journalist’s screen to remind her that a deadline is approaching.

Not only is the *Post* using Arc internally, but it’s licensing it to other news organizations. Among them is *Willamette Week*, an alternative paper based in Willamette, Oregon. Mark Zusman, the editor and publisher, told me by email that he got interested in Arc after learning about it while searching for a new CMS. “They flew a team out here and within three months we were up and running,” he said. “I was pleasantly surprised with how quickly it happened. Arc creates enormous functionality under the hood. I have a happy news team (talk about unusual) and the *Post* is rolling out improvements on a regular basis.” Readers, he added, benefit from “a far cleaner design and better flexibility with art.”⁸⁰

Prakash and members of his team often say that it’s vital for the *Post* to control its own technological destiny. Yet there are only a few newspapers—the *Post*, *The New York Times*, and a handful of others—that have the resources to do that. So Prakash is hoping that the licensing of Arc is just the beginning. If it were up to him, he’d make available to other news organizations a range of tools the *Post* has developed, including its apps. Obviously a *Post* app would have to be customized and rebranded before it could be used by, say, *The Berkshire Eagle*. And given the precarious state of the newspaper business, licensing or selling technology to other newspapers is not going to create a financial bonanza for the *Post*. But it would provide a stream of revenue while at the same time creating a media ecosystem built around the *Post*’s technology.

“I would love it if the platform we built for the *Post* was powering a lot of other media organizations,” Prakash said. “That would definitely break down the silos for content-sharing, a lot of the silos for analytics, for personalization. The larger the scale the better you can do in some of those scenarios. But those are still aspirational at this point.”

One aspect of the *Post*’s business model I haven’t discussed much is advertising, which may seem like an oversight given that ads traditionally provided about 80 percent of a newspaper’s revenue.⁸¹ For all the lamentations about free news in the internet era, it can be argued that the news was always free, since the 20 percent paid by readers was used mainly to cover the cost of printing and distribution. Even today, most newspapers—including the *Post*—

make most of their money from advertising in their print editions. As I noted earlier, the state of digital advertising is dismal, as its very ubiquity—served up on a programmatic basis by Google and a few smaller competitors—has driven down its value.

Nicco Mele, the former senior vice president and deputy publisher of the *Los Angeles Times* and the incoming director of the Shorenstein Center on Media, Politics and Public Policy at Harvard's Kennedy School, explained at a Shorenstein seminar why a digital advertising strategy based on attracting a large online audience simply doesn't work for news organizations that are built around original (which is to say expensive) journalism. A full-page weekday ad in the *LA Times*, which would reach 500,000 people, costs about \$50,000, Mele said. To reach the same 500,000 people on LATimes.com costs about \$7,000. And if that ad appeared on LATimes.com via Google, it might bring in no more than \$20. "Models built on scale make zero sense to me," Mele said, "because I just don't see any future there."⁸²

Given those realities, the *Post's* pursuit of scale is clearly not based on the notion that it will lead to advertising riches. A far more important goal is turning some percentage of that audience into paying subscribers. But that hardly means that online advertising is being ignored. Beth Diaz told me that getting big has not only increased the revenues the *Post* receives from programmatic ads of the type that Google serves up, but that it has also improved the sales force's ability to sell digital ads directly.

"We did need to achieve a certain level of scale just to be in the game," she said. "Suddenly nobody is laughing at us when we come to present ourselves as the place to reach a broad audience, a leadership audience, etc."⁸³

The *Post*, like many newspapers, has also embraced a controversial form of advertising known as native advertising, or sponsored content. There is, in fact, nothing new about sponsored content. Decades ago, *Time* and *Newsweek* would publish multipage sections extolling the virtues of various repressive foreign regimes, and you had to look closely to discover that the sections had been bought and paid for by those regimes. So it is with online native content, whose critics argue is inherently aimed at confusing readers into thinking it's not really advertising.

But that sort of criticism leaves no room for native advertising that is properly labeled. Flip through the *Post's* apps and peruse its website and you'll come across occasional features from the "WP BrandStudio." I'm looking at one right now. At the top of the screen it says "Content from Siemens." In place of a byline, we see "Content created by WP BrandStudio." At the bottom it says "This content is developed and paid for by Siemens. The Washington Post Newsroom is not involved in the creation of this content." That strikes me as more than sufficient disclosure.

Moreover, native advertising is an effective way to fight back against the proliferation of ad-blocking software, which got a huge boost in the fall of 2015 when Apple allowed ad-blockers into its app store for iPhones and iPads. Ad-blockers deprive publishers of revenue, of course, and the *Post* has experimented with blocking the blockers; Prakash told me those experiments will continue. But

they also are a response to a real problem—the spread of abusive ads that pop up or under your screen, chew up the data you paid for, slow down access, invade your privacy, and, in some cases, carry spyware or malware.⁸⁴ By contrast, native ads can't be blocked because they reside on a news organization's own server. And, properly designed, they can be attractive and even provide information that readers might be interested in. "I think there's a future for branded content or sponsored content as long as we keep it clearly demarcated as such," Prakash said.

Conclusion

In late October 2015, Bob Woodward, the legendary *Washington Post* reporter who was one-half of the duo that brought down a president, spoke at the First Parish Church in Cambridge, Massachusetts, to promote a new book. *The Last of the President's Men* was about Alexander Butterfield, the aide who revealed the existence of the taping system in Richard Nixon's White House, thus proving that he really was a crook. Toward the end of the evening, a member of the audience asked Woodward how the media business had changed over the years. Woodward responded by praising Jeff Bezos.

"I think he's helping us as a business," Woodward said. "It's a better website. I find things much more authoritative, quite frankly, than *The New York Times*." He continued: "Bezos is good news for the newspaper, *The Washington Post*. I think he has a long-range view, staying in for fifteen or twenty years and making sure *The Washington Post* is one of the surviving news sources in the country."⁸⁵

In assessing the Bezos effect, three factors stand out as unique to the *Post* and are thus not replicable elsewhere: the newspaper's location, in Washington, which made the transition from a regional to a national newspaper relatively simple; Bezos's deep pockets, which give him the ability to provide the *Post* with "runway," as he has put it, providing the paper with time and resources to figure out a path to sustainability; and Bezos's position as chief executive of Amazon. Bezos has already made the *Post*'s national digital edition part of Amazon Prime and the Kindle Fire. And as the media analyst Ken Doctor told me, Bezos may see having "a lead dog in the news industry" as a competitive advantage as Amazon goes up against other technology giants such as Facebook, Apple, and Google.⁸⁶

Given those unique characteristics, it is not readily apparent what other newspaper owners could learn from Bezos. Nevertheless, there are a few areas—some specific, some more attitudinal—from which newspapers could in fact benefit by studying the Bezos model. Some of these include:

There are significant benefits to private ownership. Before Bezos bought the *Post*, the Washington Post Company was publicly traded. As with the Sulzberger family at the New York Times Company, the Grahams had set up their governance structure so that the family controlled a majority of the voting stock—thus the Grahams were less beholden to Wall Street's demands for profit

than most public companies. Nevertheless, they still had the fiduciary responsibility of trying to maximize profits or at least minimize losses. By contrast, Bezos can invest for the long term.

There is value in getting big. At Amazon, an early imperative was to “Get Big Fast.” That has been true at the *Post* as well, even as paid print circulation has continued to decline. By opening the top of the customer-engagement funnel as wide as possible, the *Post* has given itself a larger audience to try to move to the bottom of the funnel—the point at which increasingly engaged visitors are converted into paying subscribers. In addition, even though the value of digital advertising is declining because of its ubiquity, publishers are able to charge higher rates for large audiences than for small ones.

Do not pursue change for change’s sake. Bezos, to his credit, retained Marty Baron as the *Post*’s executive editor and Shailesh Prakash as the chief information officer. Baron is a major asset both internally and externally: he is an outstanding editor whose increasingly high profile has made him an important part of the *Post*’s brand. Prakash’s retention was perhaps more surprising given Bezos’s technology background. By all accounts he is one of the leading figures in digital news; it speaks well of Bezos’s judgment that he did not replace Prakash with someone from Amazon.

Technology is central to the mission. Certainly not every news organization can develop its own technology the way that the *Post* has, and in fact Prakash has a vision of licensing *Post* products to other newspapers—as it is already doing with Arc, a suite of content-management tools the paper developed. As the *Post* continues to pursue a digital growth strategy, the tools that Prakash and his team have developed will be central to that effort.

Embrace change even when you can’t control it. The *Post* is publishing all of its content as Facebook Instant Articles and is providing its journalism to Apple News and as part of Google AMP as well. Though using such third-party platforms runs counter to the goal of selling more digital subscriptions and deprives the paper of customer data, *Post* executives believe they have to be where their audience is.

As a technologist himself, Shailesh Prakash has a unique perspective on what Bezos has meant to the *Post*.

“The money has helped us, of course. I wouldn’t deny it,” he said. “But I don’t think that’s the main thing Jeff has brought. And I don’t just say that because he’s my boss. I truly believe that. Of course he’s helped with money. He’s helped me hire people, he’s helped Marty hire people, and so on. But it’s not like it’s open-check season where we can do anything we want.

“So what has he really done? I personally think that the biggest thing Jeff has done is to set the right tone for our culture—which is one of experimentation, which is one of encouragement, which is one of ‘find the positive surprises and

double down.’ We believe we have an owner who respects the past but at the same time wants us to be innovative.”

As you walk through the *Post*’s newsroom, you encounter inspirational quotes from a number of the paper’s legendary figures, past and present. One is from Jeff Bezos. It reads, “I strongly believe that missionaries make better products. They care more. For a missionary, it’s not just about the business. There has to be a business, and the business has to make sense, but that’s not why you do it. You do it because you have something meaningful that motivates you.”⁸⁷

Bezos is smart and tough. In considering his stewardship of *The Washington Post*, it’s important to maintain a sense of realism. No doubt he wants the *Post* to succeed, but that success has to come on his terms. Ultimately, that means it has to succeed as a profitable business. Still, we should take him at his word that saving a great newspaper is more important to him than turning around the fortunes of “a snack-food company,” as he has put it. Bezos is someone who cares about his reputation and who has spoken eloquently about the role of journalism in a democratic society. As he said at the dedication of the new headquarters, “This needs to be a sustainable business because that’s healthy for the mission.”

No newspaper executive has figured out a way to prosper during the twenty-year era of the commercial internet. As is the case with the *Post*, news organizations need to be willing to experiment, to abandon experiments that aren’t working, and to keep embracing new ideas in the hopes that some of them will prove to be not only journalistically sound but an enhancement to the bottom line as well.

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