

August 4, 2013

The Last Temptation of Tina Brown

By **LESLIE KAUFMAN** and **CHRISTINE HAUGHNEY**

On Nov. 12, 2010, **Tina Brown** gathered the staff of her Web site The Daily Beast in the third-floor conference room at its Chelsea offices with its commanding views of the Hudson. Brimming with the fervor she has brought to all her endeavors, she delivered some surprising news: the Web site would merge with **Newsweek**, a once-proud but struggling magazine brand.

Ms. Brown, according to staff members who were present, spoke excitedly about the potential synergies for advertisers across platforms and promised to produce a new form of magazine journalism, where digital would drive print instead of the other way around. But after a few softball questions from the staff, Peter Lauria, the company's media reporter, braved a more skeptical one:

Given that the two publications lost more than \$30 million in the previous two years, he asked, why was it a good idea to put them together? And if The Beast was on schedule to break even in 18 months, how much longer would it take now that Newsweek was part of the mix?

Ms. Brown says she has no recollection of that particular meeting, but half a dozen employees who say they were present said the atmosphere immediately turned awkward. The famous editor gave no ground. The target, she said, remained 18 months.

More than two and a half years later, Ms. Brown has missed the mark. Synergies have long since slipped away. After the magazine hemorrhaged tens of millions of dollars, Barry Diller, the billionaire media mogul whose company owns both publications, publicly called the purchase of Newsweek "a mistake" and the original plan to save it "stupid." On Saturday, the company announced that it had sold Newsweek for an undisclosed amount to the digital news company International Business Times.

It was always a quixotic project to blend a buzzy, growing Web site with the most outdated of print relics, a newsweekly. But interviews with more than two dozen former and current employees — some provided by Ms. Brown and some reached independently — suggested that she and Mr. Diller underestimated what it would take to reverse the dive of a print magazine (the two have acknowledged as much) and that there was never a credible plan to integrate the products into a better whole (an opinion they utterly contest). These people also suggest that Ms. Brown’s intensely demanding and chaotic management style, which had thrived when contained within established companies, proved a combustible combination with Newsweek’s gutted and weakened editorial and sales divisions.

Dan Lyons, Newsweek’s former technology editor, summed up the sentiment in a Facebook post when the magazine was first put up for sale: “It didn’t need to be as ugly and sad and dishonest as what’s happened under Barry and Tina.”

Ms. Brown, for her part, said that it took at least a year to assemble a team she wanted, and undoubtedly she bruised some egos along the way.

“We did a cover on the beached white male and perhaps that’s another reason for the old guard to be angry at me,” she joked during a recent interview at The Beast’s offices. But she said she had no regrets.

“It was really exhilarating,” she said. “We did great journalism.”

Ms. Brown knows great journalism, having built her reputation with her wholesale makeover of Vanity Fair and her stewardship at The New Yorker. At both magazines, she increased circulation, introduced dozens of young writers, many of whom went on to become stars, and won shelves of awards.

But, despite her reputation, she said publicly that she was happy to be away from print. “I would hate to be in the magazine world,” she told the EconWomen conference in 2008. “It’s a really tough world to have to compete in.” That was the year that Ms. Brown started working for Mr. Diller as The Daily Beast was introduced.

What pulled her back, she says, was the billionaire investor Sidney Harman — his enthusiasm, charm and generous financial resources to match — and the

chance to return to long-form journalism. Although Ms. Brown does not utter the word “Talk,” her last print magazine, which ended in heartbreaking failure, she acknowledges that she missed the “rhythms” of long-form journalism and that she felt she could not do all the work she craved on the Web.

When Mr. Harman contacted Ms. Brown and Mr. Diller, it didn’t seem like a surefire deal. When Mr. Harman, a stereo executive, bought Newsweek on Aug. 2, 2010, for just \$1 and the assumption of \$40 million in liabilities, he found it difficult to find takers for the editor in chief job. Peter Kaplan, editorial director of Fairchild Publications, was one of those who balked. “It was a massively heavy lift and there was no philosophy involved,” he said.

Turning On the Charm

Both Mr. Diller and Ms. Brown say they turned down Mr. Harman at first, but then Ms. Brown says she weakened, tempted by the challenge. She adds that Mr. Harman was “deliciously gallant.”

Katrina Heron, who had worked with Ms. Brown at both Vanity Fair and The New Yorker before signing on for a year at the end of 2010 to help ease the merger, said that Ms. Brown, so used to charming billionaires, was the target of Mr. Harman’s charm this time around. He called her “princess,” she said.

From the beginning, Ms. Brown and Mr. Diller underestimated what it would take to revive Newsweek. When Jon Meacham, the magazine’s last editor under The Washington Post’s ownership, tried to turn Newsweek into an Economist-like ideas journal, the magazine’s decline accelerated. Between 2006 and 2010, the magazine’s total circulation shrank by half, to 1.6 million, according to the Alliance for Audited Media. Advertising pages declined 79 percent between the first three months of 2006 and the same period in 2010. It lost more than \$29 million in 2009. Then, in the months between Mr. Harman’s purchase and Ms. Brown’s coming on, the place had been further vacated by name-brand writers like Howard Fineman and members of its ad staff.

“It was a dead, beached whale. There was no life in the creature,” said the writer Peter Boyer, who arrived from The New Yorker just after the merger.

Ms. Brown and Mr. Diller both say they also agreed to the merger because of optimistic sales estimates by The Daily Beast's business side. In an interview in July, Mr. Diller said, "Our chief salesman said, you know, 'Newsweek last year sold 950 pages of ads, you know there's been no energy there, we'll at least sell 1,150 ads.' And, I said, 'Well, you do that math, we kind of break even.' Well we didn't sell 11, 10 or 950, we sold 600 ads."

Ms. Brown said she planned to save Newsweek by building a digital-age magazine driven by the beat of the Internet, with the high-quality writing found in traditional print. She argued that despite impossible conditions, she succeeded admirably, citing Newsweek's coverage of Dominique Strauss-Kahn, the former chief of the International Monetary Fund, by landing the first print interview with the housekeeper in his sexual assault case, and the issue devoted to the killing of Osama bin Laden.

But many of her colleagues say that going back into print brought out Ms. Brown's tendencies toward chaotic management and indecision, running the enterprise in what one former editor who asked not to be named for fear of retribution, described as a state of panic.

Employees also say that the newsrooms never really merged. Instead of using Beast writers to fill Newsweek, she turned to her Rolodex and hired expensive talent like Simon Schama, Michael Tomasky and David Frum.

Mr. Boyer, a fan of Ms. Brown, said, "There was an awful lot of frustration on the part of the young beasts who were so good, half a dozen really good writers and reporters who weren't making it into the magazine, and that was a mistake."

"Newsweek had an older readership," Ms. Brown says to explain why she turned to some older writers, adding that the magazine needed more attention. "Newsweek writers had been terribly demoralized. I owed them some care."

Spending Freely

But even longtime reporters were shocked at Ms. Brown's extravagance in making assignments — one former editor called them "fishing expeditions" — that seemed to belong to an earlier, more flush era of publishing. The magazine

sent Mr. Boyer to Japan hoping he would get an interview with Vice President Joseph R. Biden Jr., even though he had been warned in advance that it was very unlikely (and indeed it never happened). With several days' notice, the Pulitzer Prize-winning fashion writer Robin Givhan was sent to Paris to track down the Vogue editor Anna Wintour, even though Ms. Wintour had declined to speak.

Ms. Brown also ordered high-priced photography and investment in time and money for articles that were killed or relegated to small spaces. Newsweek's former creative director, Dirk Barnett, posted [on his Tumblr](#) a montage of the 82 different cover ideas Ms. Brown asked him to design in seven days, while also employing six other agencies and illustrators to come up with ideas. In a June 27, 2012, [post on Newsweek's Tumblr](#), the magazine called it "our favorite Newsweek-related post of all time."

During the interview, at first, Ms. Brown made light of the criticism: "Only 82?" she laughed. "How hard is it to take a picture and slap a headline on it?" Then she flatly denied having ordered so many covers. She said she sought out two other agencies at most and both were free. As for assignments, she said that is what magazine editors do, and to bolster her defense, she invoked the name of Maynard Parker, a previous Newsweek editor, who famously liked to change covers at the last minute.

Criticisms of how Ms. Brown spent money rile her strongest defenders.

"If somebody is saying 'I don't approve of this way the \$10,000 was spent and that's the reason for this \$10 million budget gap,' that's not very good math," said Mr. Frum, a contributing editor. "It's the cost to print, declining revenue, switch to a digital environment. The fact that Tina struggled so valiantly and took so many risks, that is to her credit. It just exposes a total lack of understanding of the media environment."

Certainly, the media environment was not good — although that might have been entirely predictable. Still, Ms. Brown put the blame for Newsweek's troubles almost entirely on factors outside her control.

She pointed out that the advertising market "went off a cliff" in 2011. She acknowledged, too, that the magazine needed more digital sales employees and

the posts remained unfilled, but said that was not her responsibility since she never ran the business side. But employees on the business side said their bosses were often paralyzed by Ms. Brown's indecision on how to proceed with various projects because they feared her wrath if they got it wrong.

Newsroom Troubles

The newsroom side was also struggling. Employees point to covers like those featuring Regis Philbin and a reimagining of an aged Princess Diana as evidence that Ms. Brown struggled to find subjects to create that most elusive but desirable of magazine outcomes: buzz. One employee said that Ms. Brown ordered up a Newsweek feature on "Breaking Bad" well after an article on the show had appeared in *The Beast*. Ms. Brown does not accept the idea that she did not have her finger on the popular pulse. "I was the first person to do anything on 'Breaking Bad.' Nobody knew what 'Breaking Bad' was around here at all," she said. "We were the first to write about 'Borgen'; I have been watching it for a year," referring to the Danish political series.

She also ticked off a raft of measures: under her leadership Newsweek went from losing 30 percent of its ad revenue a quarter to actually gaining 5.5 percent in the last quarter in print, and digital subscriptions expanded threefold during 2012, to 60,000 (both figures were confirmed by the Publisher's Information Bureau). She also said that subscription renewal rates were 20 percent higher in 2011 than they had been in 2010, and the rate was maintained into 2012, reversing a period of decline that had begun in 2008.

But the venture was running out of time. On April 12, 2011, Mr. Harman, the chief supporter of Newsweek, died. The Harman heirs did not announce until July 23, 2012, that they would no longer foot Newsweek's bills. But internally it was clear from the moment of the death that the dynamic had changed now that Mr. Diller, who had expected to split the costs, would carry the whole load (Mr. Boyer mordantly joked that "the wrong billionaire died").

On Nov. 14, 2011, Ms. Brown's chief lieutenants, the editors Edward Felsenthal and Tom Weber, resigned. In meetings, employees said, Mr. Diller grew impatient with Ms. Brown if she spoke for too long about how many hits an

article was getting. He snapped, “Enough about traffic,” as if to bring her back to the bottom line.

And the magazine’s redesign in March 2012 did not seem to help at the newsstand; sales there declined in August 2012 by 9.7 percent, according to the Alliance for Audited Media. By October, the decision to make Newsweek digital was made. By December, its total circulation had declined to 1.3 million.

Even though Mr. Diller had cut the losses from printing the magazine, he complained at dinners and social events that “Newsweek wasn’t working out,” according to Fareed Zakaria, another former Newsweek employee who had also turned down the top post. On April 29, 2013, at the Milken Global Conference in Beverly Hills, Calif., [Mr. Diller told Bloomberg TV](#), “I wish I hadn’t bought Newsweek. It was a mistake.” Although his unhappiness was well-known inside the building, his statements hurt. “Recipe for Diller’s Newsweek Pie: Take one storied print magazine; eviscerate for 2 years, then turn digital; bad-mouth said magazine; sell,” Tunku Varadarajan, Newsweek International’s recently resigned editor, posted on Twitter.

A month later when the two announced that Newsweek was up for sale, it was almost anticlimactic. The magazine, a shell of its original self, is published online once a week. The total number of employees at the combined NewsBeast has shrunk by roughly a third. Now Newsweek will be published for 30 to 60 days, and during that time, International Business Times is expected to decide on its staffing needs, the company said.

Ms. Brown still defends the idea of putting the two properties together, and the magazine she made. “The kind of the shame of it was you saw how it worked — but the economics were too much. It would have taken five more years. It could have been a great synergy.”

In the end, Ms. Brown is left with a conference business, Women in the World, and The Daily Beast. But the good news, she says, is that The Beast has been “enriched by Newsweek’s DNA” through its advertiser base, through the quality of its writers and through traffic, which she says is up 28 percent year over year.

For all her optimism about The Beast, Ms. Brown still seems a bit wistful about the state of affairs in her industry.

“It doesn’t matter how talented you are right now. You used to be judged by your performance, but now it doesn’t matter what you do,” she said. “It is quite a business.”

--

What must Bezos do to make this successful? What should his focus be on making the paper develop a competitive advantage?

August 5, 2013

Amazon.com Founder to Buy The Washington Post

By **CHRISTINE HAUGHNEY**

The Washington Post, the venerable newspaper whose reporting ended a presidency and inspired a generation of journalists, is being sold to the founder of Amazon.com, Jeffrey P. Bezos, in a surprise deal that has shocked the industry.

Donald E. Graham, chairman and chief executive of The Washington Post Company, told the newspaper’s staff about the sale late Monday afternoon. They had gathered together in the newspaper’s auditorium at the behest of the publisher, Katharine Weymouth.

“I, along with Katharine Weymouth and our board of directors, decided to sell only after years of familiar newspaper-industry challenges made us wonder if there might be another owner who would be better for the Post (after a transaction that would be in the best interest of our shareholders),” Mr. Graham said.

The announcement stressed that Mr. Bezos would purchase The Post in a personal capacity, and not on behalf of Amazon, the Internet retailer. The deal includes all of the publishing businesses owned by The Washington Post Company, including the Express newspaper, The Gazette Newspapers, Southern

Maryland Newspapers, Fairfax County Times, El Tiempo Latino and Greater Washington Publishing.

The Washington Post company plans to hold onto Slate magazine, The Root.com and Foreign Policy. According to the release, Mr. Bezos has asked Ms. Weymouth to remain at The Post along with Stephen P. Hills, president and general manager; Martin Baron, executive editor; and Fred Hiatt, editor of the editorial page.

“I am honored to continue as C.E.O. and publisher,” Ms. Weymouth said in a statement. “I have asked the entire senior management team at all of the businesses being sold to continue in their roles as well.”

The sale to Mr. Bezos marks the end to eight decades of ownership by the Graham family. During that time, longtime publisher Katharine Graham oversaw the paper as it became renown not only for its news coverage of Watergate, the political scandal that led to the resignation of Richard Nixon, but also for its appearance in “All The President’s Men,” the Academy Award-winning 1976 film about the scandal.

The Post’s daily circulation peaked in 1993 with 832,332 average daily subscribers, according to the Alliance for Audited Media. But like most newspapers, it has suffered greatly from circulation and advertising declines. By March, the newspaper’s daily circulation had dropped to 474,767. The company became pressed enough for cash that Ms. Weymouth announced in February that it was looking to sell its flagship headquarters.

Mr. Graham said in statements released on Monday that the newspaper market had become too untenable.

“As the newspaper business continued to bring up questions to which we have no answers, Katharine and I began to ask ourselves if our small public company was still the best home for the newspaper,” said Mr. Graham. “Our revenues had declined seven years in a row. We had innovated and to my critical eye our innovations had been quite successful in audience and in quality, but they hadn’t made up for the revenue decline. Our answer had to be cost cuts and we knew there was a limit to that. We were certain the paper would survive under our ownership, but we wanted it to do more than that. We wanted it to succeed.”

This article has been revised to reflect the following correction:

Correction: August 5, 2013

An earlier version of this article misstated the middle initial of the founder of Amazon.com. He is Jeffrey P. Bezos, not Jeffrey K.

Can you explain why the NYT failed and why the Boston Globe has a better chance of success?

August 3, 2013

New York Times Company Sells Boston Globe

By **CHRISTINE HAUGHNEY**

The New York Times Company, in its latest move to shed assets and focus more on its core brand, has agreed to sell The Boston Globe and its other New England media properties to John W. Henry, principal owner of the Boston Red Sox.

The sale, for \$70 million, would return the paper to local ownership after two decades in which it struggled to stem the decline in circulation and revenue. The price would represent a staggering drop in value for The Globe, which The Times bought in 1993 for \$1.1 billion, among the highest prices paid for an American newspaper.

At the time, The Globe was one of the nation's most prestigious papers in a far more robust newspaper environment. But like other newspapers, it began to lose readers and advertisers to the Internet, and revenue plummeted. The Times Company has taken several write-downs related to the New England Media Group, and in February it said it was putting The Globe and other assets in the group up for sale.

For The Globe, the planned sale restores a Boston connection that prevailed for 120 years under the Taylor family, which owned the paper from 1873 until its sale 20 years ago. While not from Boston, Mr. Henry has for the last decade been active in local sports, and his Fenway Sports Group owns the Red Sox, Fenway Park and 80 percent of the New England Sports Network. It also owns the soccer club Liverpool F.C. in the English Premier League.

“This is a thriving, dynamic region that needs a strong, sustainable Boston Globe playing an integral role in the community’s long-term future,” Mr. Henry said in a statement about the sale. “In coming days there will be announcements concerning those joining me in this community commitment and effort.”

In addition to The Globe, the sale includes BostonGlobe.com; Boston.com; the direct-mail marketing company Globe Direct; the company’s 49 percent interest in Metro Boston, a free daily paper; Telegram.com and The Worcester Telegram & Gazette. The Times bought the Telegram & Gazette for \$295 million in 1999.

Mr. Henry is buying the media group without partners through his acquisition company; under terms of the sale, he does not have to assume The Globe’s pension liabilities. The all-cash sale is expected to close in 30 to 60 days.

The Globe is not the only paper to sell at a heavily discounted price. In April 2012, Philadelphia’s newspapers sold for \$55 million after selling for \$515 million in 2006. In October, The Tampa Tribune sold for \$9.5 million. In recent talks on the sale of the Tribune Company’s portfolio of newspapers, analysts estimated that the entire newspaper company, including The Los Angeles Times and The Chicago Tribune, was worth only \$623 million.

For the Times Company, the New England Media Group was the last big asset in a portfolio it had been downsizing for several years. The acquisition of The Globe in 1993 was part of the company’s strategy to solidify its grip on the eastern corridor advertising sector and to have a presence that stretched from Maine to the District of Columbia. At the time, in addition to its flagship New York newspaper, the Times Company owned 31 regional newspapers, 20 magazines, five television stations, two radio stations and other businesses. It also had a half-interest, with the Washington Post Company, in The International Herald Tribune.

But in recent years, the Times Company has been divesting itself of assets to focus on developing its core title, The New York Times. In 2012, the company sold its 16 regional newspapers. Last year, it sold the About Group to IAC/InterActiveCorp for \$300 million. This year, The Times announced plans to expand its global presence by changing the name of The International Herald

Tribune to The International New York Times and attracting a new global audience of readers to become subscribers.

The Globe attracted a range of prospective buyers. Among those who expressed interest were Douglas F. Manchester, owner of the U-T San Diego; and a group led by Jack Griffin, the former chief executive of Time Inc., that included Ben and Steve Taylor, whose family sold The Globe to the Times Company.

This week, The Globe reported that Mr. Henry had offered to buy the paper after the sports investment group he had partnered with backed out. Mr. Henry worked with The Times over the last decade on its purchase of a stake in the Fenway Sports Group. In 2012, the Times Company sold its final stake in the group for \$63 million.

Like most newspapers, The Globe has struggled to hold onto its readers and the print advertisers who fed its profits for decades. According to the Alliance for Audited Media, circulation at The Globe from Monday through Friday declined 38 percent in 2013 from 2003, to 245,572 from 402,423. Before the Times Company bought The Globe in 1993, it had a weekday circulation of 506,996.

As circulation declined, so did advertising. According to the second-quarter earnings statement released by the Times Company on Thursday, advertising revenue for the New England Media Group dropped 9.5 percent, to \$44.4 million, compared with the same quarter in 2012.

After the company's earnings report, John Janedis, an analyst with UBS, said it was wise for the company to sell The Globe. He estimated that the paper was worth \$150 million to \$175 million on a cash-flow basis without factoring in pension liabilities.

"The trends at The Globe have been a drag on the company," Mr. Janedis said. "The New York Times has performed a lot better over the past several years. To the extent that you can refocus on a paper with massive global appeal that has still a very strong core readership and then expand the product offerings, there's probably more long-term value creation there versus having The Times and The Globe long term in the same portfolio."

During the time that it was owned by the Times Company, The Globe won eight Pulitzer Prizes, including the 2003 public service award for its coverage of sexual abuse in the Catholic Church. Last November, The Washington Post hired away the paper's editor of a decade, Martin Baron, who had shepherded The Globe's coverage since shortly before the Sept. 11, 2001, attacks. In December, The Times announced that Brian McGrory, a longtime columnist and former metro editor, would succeed Mr. Baron. In the early days in his job, Mr. McGrory led the Globe staff through its coverage of the Boston Marathon bombing, which was picked up by news organizations around the world.

As many papers have struggled to remain relevant with younger readers who read more news online, The Globe made some strides at attracting younger audiences. Under the leadership of its publisher, Christopher M. Mayer, The Globe invited technology start-up firms to use abandoned classified advertising space in its shrinking newsroom. It also turned empty space into community spaces where bands visiting the company's Internet station, RadioBDC, could perform. According to the latest earnings report, the number of digital subscribers grew nearly 70 percent to 39,000 in the second quarter compared with the year-earlier period.

Eric Bishop contributed reporting from New York, and Gerry Mullany from Hong Kong.