

US press turns to white knight billionaires to survive

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A woman passes by the Washington Post on August 6, 2013 in Washington. US newspapers are increasingly turning to deep-pocketed white knights to keep them alive as free news on the Internet hijacks readers and erodes profits.

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Monday's stunning announcement that the Washington Post was being

sold to Amazon founder Jeff Bezos followed the sale just days before of the Boston Globe to John Henry, the billionaire owner of the Red Sox baseball team.

And over the past two years, investment star Warren Buffett has snapped up more than two dozen newspapers via his Berkshire Hathaway company for some \$350 million.

More deals are likely. In July, the Tribune Company hived off its money-losing newspapers—including the Los Angeles Times, the Chicago Tribune, and the Baltimore Sun—into a separate company, keeping its focus on its profitable television stations.

Analysts think that opens the door for another generous buyer to plunge into the newspaper industry.

The sale of the Post—the Washington icon whose powerful Watergate reporting brought down president Richard Nixon in 1974—shocked the industry.

But no one was surprised by the reason.

The Graham family, which has controlled the US capital's newspaper of record for eight decades, admitted they had "no answers" as to how to make money, after readership continued to plummet and losses continued to mount during the first half of this year at the paper.

The Grahams sold the daily, valued at more than \$1 billion a few years ago, for \$250 million to Bezos.

That was still much more than the \$70 million Henry paid the New York Times for the Globe. The Times paid \$1.1 billion for the paper 20 years ago.

Like the Post, the Globe had been bleeding print subscribers and has been challenged to persuade consumers to pay to read it online.

While a few giants—the Financial Times, the Wall Street Journal and the New York Times—have successfully introduced paywalls to force online readers to pay for content, the rest of the industry is struggling.

"The accelerating print ad decline, coupled with tepid (if any) digital ad revenue growth, casts a dark cloud over the next several years," said Ken Doctor of the Nieman Journalism Lab.

Moreover, he added, "The next five years may be as tough a digital transformation as the last."

The Post's plight, losing \$54 million last year as subscriptions fell 8.6 percent—has been typical. It long held a central position in the politics of the US capital, making and breaking leaders and their policies.

But the challenge of freely accessed news on the Internet began to erode its crucial role as the go-to source for US political news more than a decade ago.

How the billionaires plan to turn their acquisitions around remains the big question.

Bezos acknowledged the challenge, saying Monday: "There is no map, and charting a path ahead will not be easy. We will need to invent, which means we will need to experiment."

But he hinted last November in an interview with the German newspaper Berliner Zeitung that he saw little future for traditionally printed newspapers, with paid readership likely coming from tablet computers.

"There will be a place for high-value quality journalism, because the people want to read these reports and information. Journalism won't disappear," he said.

"On the web people don't pay for the news, and that won't change. But we noticed that people are ready to pay for newspaper subscriptions on tablets... And this development will also give the newspapers a tailwind."

Buffett—whose Berkshire owns a 23 percent share of the Washington Post Co—has a different argument for his investments, which have focused on local rather than national newspapers.

"Papers delivering comprehensive and reliable information to tightly-bound communities and having a sensible Internet strategy will remain viable for a long time," he said in March.

"Our goal is to keep our papers loaded with content of interest to our readers and to be paid appropriately by those who find us useful, whether the product they view is in their hands or on the Internet."

Analysts were cautious about whether Bezos, who built Amazon from scratch into the world's most powerful online retailer, would be able to turn the Post around financially.

"Will Bezos run the Post as a business or as a philanthropy—or some hybrid of the two?" asked Ryan Chittum at the Columbia Journalism Review.

"I am glad Bezos is using his wealth to save a great and necessary American institution," said Jeff Jarvis at the website Buzzmachine.

"But I hope and pray the real value he brings is his entrepreneurship, his innovation, his experience, and his fresh perspective, enabling him to

reimagine news as an enterprise."

Post publisher Katharine Weymouth, whose grandmother Katharine Graham was legendary in running the newspaper for three decades, suggested that Bezos would have his eye on both goals, but is conscious of the key historic role of the Post in US life.

Bezos's focus "is on the essential role that our journalism has on dialogue and the flow of information in our society," she told Post staff Monday.

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