

The New York Times Company

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Heath Terry: My name's Heath Terry. I cover the Internet sector for Goldman Sachs. Really happy to have with us today the team from The New York Times. Meredith, thanks so much for joining us. Meredith, obviously, everyone watching knows The New York Times as a source of news. But as investors, what's the right way for them to think about what you and the team are building at The Times as a company?

Meredith Kopit Levien: That's a fun first question to start on, Heath. First, let me say thanks so much for having me. I think the first thing I want to say is that they should think of us as a fast-growing, scaling, direct-to-consumer digital subscription business with a very big addressable audience and a big opportunity to gain a lot more share of that audience. I think they can think of us as operating in a market where the conditions are moving in our favor, so in favor of quality journalism generally and in favor of The Times specifically. And I think they can think of us as the owner of highly differentiated, original IP, around which we are increasingly becoming our own best distributor. And I would just, the last thing to say is I think investors can think of us as a company that has a highly differentiated product with some inherent supply and demand advantages, and that as time goes on, those become mutually reinforcing of each other.

Heath Terry: So for a new CEO that's taking over an institution that's nearly 170 years old, how are you thinking about your strategy for The Times and how that might be different from what we've seen in recent years?

Meredith Kopit Levien: I keep saying to people, the most fun thing for me becoming CEO is that I've gotten to occupy the co-pilot chair to Mark for the better part of the time that he ran The Times for the last 7 years. And so I would say proudly, we're still flying the plane in the same direction; we've got a very sound strategy. That strategy is working, and you can assume we're going to continue to bear down on it and to accelerate it in places where we see opportunities to do that.

I'll say at the highest level that the things that I'll emphasize, I think the work is to get millions more people to spend much more time with Times journalism. That means bringing lots of new people into the brand, getting them to make a direct relationship with the brand. I think for people who already have a relationship with the brand, it means finding ways for The Times to be relevant in more parts of their life.

And I'll say two other things that are very much on my mind. I've talked inside the company about this. But as I come into the role, both of which are enablers to the thing I just said, one is we're already a world-class journalism operation. I think the thing that sits in between where we are today and having millions more people spend much more time with Times journalism is that we also have to be a world-class digital product and tech operation. And so we are on the path to doing that.

And then just the last thing to say, which is related, is that I'm very focused on how do we make sure that The Times isn't just a place where we can attract world-class talent, but where that talent can come and do the best work of their careers, whether they work in journalism or they work in one of our digital product functions. And I think there's still a lot to unlock there as we move through the next few years.

Heath Terry: Sure, so a lot to dig into in all of that, but maybe just to start with one of those, you mentioned your digital business and what you're trying to build there from a technology standpoint. How would you characterize the scale, sort of where that is now and particularly maybe relative to what you see as being the addressable market for digital news?

Meredith Kopit Levien: Well, as of the last quarter that we reported, we're at something around 6.5 million subscribers which, in some ways, feels like a big number. I can tell you we're nowhere near satisfied with that number. We are running now what I think is the largest subscription journalism business in the digital world, but I think far more importantly, we see a really big market opportunity. We think there's--any way we cut it, we think there's at least 100 million people over the next 10 years who will pay for journalism. I think that probably divides into half of them in the United States, half of them out around the rest of the world. And at 6.5 million subscribers, we're at, what, 6% of that market. And I think it's not hard to imagine The Times having 2, 3, 4 times that share of the market, with still plenty of room for other quality journalism outlets to succeed as well. So we see a lot of possibility in the market.

I'll also say--I said this in answer to your first question. I do think there are a number of forces in the market--some good, some bad--moving in our favor. Good is willingness to pay is just going up generally. I think entertainment and music have set a course for that, but I think across all cohorts that we look at, we're seeing more willingness to pay for news. And then unfortunately, I would say, we are also seeing supply of quality journalism going down. And while we don't like to see that generally, it certainly means that differential gap between The Times and other free alternatives is growing.

Heath Terry: Yes, all of that is certainly true. That market breaks down into a couple of different pieces. Obviously, you have the subscription side, which you touched on with the 100 million people. What are you seeing in terms of the profile of people who are willing to pay for news online? Right now, most of those people are paying for your \$1-a-week plan. How do you grow that ARPU from the profile of the type of person that you have now?

Meredith Kopit Levien: Yes, I think those are two different questions. Let me try and answer both of them. Just in terms of who's the audience, who are those 100 million people, we have a pretty clear psychographic definition of what a Times subscriber looks like and who we're really going after in that 100 million people, and that the simple word to describe them is

curious, which for us means educated, interested in cultures beyond their own, likely to be people who travel. We have a really fun question that the audience answers in a particular way, which is, "What do you like to do in your leisure time?" And members of the curious audience, the way we define it, are people who like to learn things, like to be pushed, like to understand opposing views. So that's broadly the psychographic definition.

What I'll say is that breaks pretty evenly across gender. You find that psychographic in all deciles of life, so people in their 20s, people in their 50s, everybody in between. So it's a big audience, and we're getting better and better at getting to them.

On your ARPU question, I'll say that the broadest answer I can give you is we have a really high-value product in a still-forming market. We think of ARPU as more of an output than an input. We're working to scale our base of subscribers in a moment when we think habits are really up for grabs. But we pay a lot of attention to realizing the right price for value, and we tend to bring people in most often on a promotional price. I think when we use promotional prices, it helps us get to the outer edges of our propensity circle, particularly in big news moments. But we now have a very good track record of stepping them up in price after they get to experience what it means to be a subscriber. And we've got a very, very good story around we're 2 years into using aggressive promotional pricing and raising people up to the full price or an interim price and then the full price. We also have a really good story around price in general on tenured subscribers. So we're very confident that we can bring people into the fold, get them to use the product, and get them to find a lot of value in the product.

Heath Terry: Obviously, the other big part of that market is the advertising-supported side of news. For most of the last decade, that's meant a lot of sites sort of cutting and pasting the worker view and other actual news-generating organizations and putting as many banners and pop-ups and interstitials on top of it. How does The Times see building an advertising business in that kind of environment? And as part of that, what role does your investment in advertising technology and data play?

Meredith Kopit Levien: I think the broadest thing I can say is that the secret sauce of our ad business and our ability to win share in our ad business, particularly in publishing specifically, is that we are a scaling subscription business. And particularly, we're scaling relationships, direct relationships, with users who now come and register, which makes a lot of proprietary data available to us that we are beginning to get really good at using in privacy-forward ways. So if you think about that over a long time horizon, as we grow our audience of deeply engaged users, we should be able to grow the ad business.

In think in the near term and over the last couple of years, what you've seen us increasingly do is really lean into the idea that we are a subscription business first, and we make a lot of choices with an eye toward that, about having a great user experience, having pages that load quickly, using data only in privacy-forward ways. So in the short term, that does have some implications for the economics of the advertising. But over the long haul, we think it's still a very important part of the economics.

You asked me about ad tech. I'll just say there, we in the last year have become far less reliant, and we'd like to get it to zero, on third-party data in advertising at The Times and selling advertising. And in its stead, we have built a really robust first-party data business

that we use in privacy-forward ways. And I am very optimistic that we'll be able to continue to grow the business, that that first-party data is going to be very effective--it already is--in helping marketers target in different ways. And I'm optimistic that that's going to be a big part of the ad proposition at The Times going forward.

Heath Terry:

That's good to hear. Over the last 4 years, you've obviously seen a lot of subscriber and readership growth at a time when many people have understandably felt the need to tune into news much more aggressively than they have in the past or certainly hope to in the future. If we see an election result in November that means a more stable world and your reporters don't have 40 tweets a day to cover, will you see the same kind of subscriber growth?

Meredith Kopit Levien:

Yes, that's a good question, and the short answer is yes. Let me give you a longer answer with that. The first thing to say is The Times is, in many ways as a business, countercyclical to certainty in the world, and it is very hard to imagine that we're moving into more certain times, even beyond the giant politics story or the global pandemic story. There is just so much other change and movement in the world--in technology, on climate, on inequality, on any number of other topics. So I think we can assume that we're going to be in a robust news cycle for a long time to come and that the public consciousness around news and people's need for the kind of journalism The Times does is not going to abate.

Let me say a few more specific things, though. We've been at subscription journalism--first in print, now in digital--for some time now. What I can tell you is that at no point does any one story drive the model for too long. And actually, if you go back to 2015, so a year before Trump was elected, that was the year that we were just starting to get our arms around the real levers of being a direct-to-consumer subscription business. And if you go there and then you look at the results just after the election of 2016, at some point the tide started to recede on that story. But what you saw was our results settled in at a place that was a step function higher than where we had been before the election.

So what's happening there is just quarter over quarter for the last 5 years, we've just gotten better and better at pulling the underlying levers in the model. We're better at the tech, we're better at the data, we're better at how the digital product actually gets you to form a habit. And I think that's going to show plenty of resilience to fluctuations in the news cycle.

I'll just say two more things. The one thing we do know about the model, and we've known this for 5 years, is the behavior that's most likely to correlate with people paying for a subscription to The Times and staying a subscriber to The Times is that they experience us across a range of topics, that they come for our breadth. And so we have plenty of product levers to use to stimulate that breadth.

And I would just say as a last thing that even now, it's a small minority of people in the overall readership, and particularly amongst registered and subscribed users, who just come to us for one story, who are just there for the politics story or just there for the COVID story. Most people are experiencing us across a range of topics.

Heath Terry:

Is there a way to quantify that range of topics, whether it's the percentage of time spent on political news versus other or readership for one versus the other?

Meredith Kopit Levien: Yes, I'll say two things. One, it's a small minority of people who, in the registered user base and the subscriber base, who are there for one story--a small minority. The second thing to say is we've seen a huge surge in the last 6 months on people--I'll give you one actual number--who are experiencing us on three, four, five or more stories at a time. And so again, that tells you something about the model. If we can get you to experience the breadth of The New York Times, you're much more likely to form a habit, come back, pay, and stay.

Heath Terry: That makes sense. I don't see how anybody can't at least read the social cues along with everything else.

Meredith Kopit Levien: And let me say "sourdough bread," like the number, everybody was making sourdough bread. The Times had a whole lot to offer on that topic. Playing games, The Times had a whole lot to offer on that topic. During the peak of the pandemic, there was just plenty there. We launched a whole At Home section that was a huge hit with readers. And you could scratch the surface on any topic. And The Times has quite a bit of depth on a very broad range of things, and that the work--the digital product work--is to unlock that depth for people.

Heath Terry: Yes, absolutely. Along those same lines, a modern newsroom obviously comes with a lot of new challenges--managing editorial, your reporters' ability to connect directly with the world through channels like Twitter or around your own channels, perceptions of bias and new ones that I'm sure pop up almost daily. How do you deal with those and stay ahead of those new challenges?

Meredith Kopit Levien: You're saying this in your question, but let me just first say that the world is increasingly polarized, and so much of what is said about The Times is a reflection of a more polarized world. I think the answer, the whole answer to what to do about it is to hold firmly to our commitment to true independence in our journalism and do everything we possibly can to make sure that the wider world understands what that independence means. And what it means is that we cover the world with real curiosity and without fear or favor on any topic.

It's interesting. One of the things we've learned as we've expanded out across a range of formats is we have more opportunity, when we tell a story, when we report the truth as we see it, to explain how that story unfolded. And the more we actually expose people to how the journalism came to be, how a particular story was brought to the world, the more people see it as the truth, the more people understand the independence of the journalism.

So for example, if we--the Weinstein story comes out. The next day you have the reporters on the Weinstein story, Jody Kantor and Megan Twohey, on The Daily, explaining how that story came to be. People are much more likely to appreciate the independence of the journalism when they understand how the story came to be.

So we take lots of opportunities in the work itself, so on The Daily and our TV show, in the digital product, to put stories out there with as much as we can about how they came to be. And we also do that in our marketing. Our TV commercials are about what is the work of journalism? How does it come to be? And I think the more we do that, the more the public will really inhabit and understand all that independent journalism means.

Heath Terry: That certainly makes sense, and an understandable challenge. For many people these days, their path to news is Facebook, it's Google, it's Apple News or Twitter or some other online platform. How does The New York Times leverage those sources of traffic, and is there a way to do that where the economics of journalism makes sense?

Meredith Kopit Levien: Let me say on the economic point, we have said now for 5 years that the economics of our business are driven by the destination New York Times. So we have had a very deliberate strategy of bringing people to our destination and making direct relationships with them, because that is what drives the economics of the model. And I want to say increasingly over the last 5 years, with much of it happening in the last couple of years, more people are coming to The Times destination, so they're using our apps, they're coming to our home page, they're asking for The Times by name. Something like 5 million people open our morning newsletter every day, or many days a week. So that's a huge part of the business.

But I want to say we also don't have our heads in the sand. We are operating in an ecosystem, and there are big players in that ecosystem who drive very important parts of the funnel to get people to come to The Times to begin with before they make a direct relationship. Google's a huge part of that. Social and particularly Facebook plays a big role of that. So a lot of our work with those companies needs to reflect the fact that while we want people ultimately to have a direct relationship with us and experience The Times on our destination, often they need to be brought there through some other means. And so our work with those companies is a lot about that.

Heath Terry: Those companies, and a lot of this focus on the legitimacy of the kind of news and content that's being spread on their platforms--and it seems like that just gets ratcheted up every day, if not even faster--they have looked to legitimate news organizations like you for help for the legitimacy for what they're trying to do. Is there something there that you potentially can leverage to put The New York Times in a better position? I look--daily I get a report that shows that the top 10 most read stories on Facebook, and The New York Times is never in them. It's always other--and I'll be polite and say "other platforms." What needs to happen so that sources with legitimacy, like The New York Times, starts to see distribution at its level through these kind of platforms?

Meredith Kopit Levien: That's a really good question. Let me say a couple of things about that. Number one, I think the thing we say to the platforms very regularly is that the creators of the original work should be able to get the credit for the original work, which means if your news organization is responsible for the source story that drives a lot of other news organizations, ideally, the platforms will point to that story first and as often as they can. And that's really important in the economics of the model.

At the same time, I've just told you we have made a very deliberate decision to focus on driving people to our destination, so we are choiceful about, in the places where we have agency, about where and how we show up. I'll say Facebook launched a news tab. I think we're probably a year into that, and that was a careful, deliberate choice for us to participate. And we chose to participate in it because they essentially said, "We are establishing a space for a particular level of quality news providers. We're going to pay the providers to be there, and we're going to pay a fair amount for them to be there. And ultimately, that news tab is going to feed your funnel. It's going to drive people directly to

The Times." So in that instance, it makes sense for The Times to participate, and we feel good about that participation.

Apple News, we made a different choice. We took The Times off of Apple News because in many ways, we saw it as a replacement product, and we've seen opportunity to actually bring people to destination New York Times for a full look at the news. And we think about each of the platforms of the tech companies differently because they play different roles in the news ecosystem, but we think about all of them as what can they do for original journalism broadly, to see whether it's The New York Times or anybody else, that the creators of that original journalism are able to realize the value of doing the work.

Heath Terry: In other parts of the world, we've actually seen regulators get involved in that relationship between platforms and news organizations. Do you believe that's a realistic or maybe even the right path in the US?

Meredith Kopit Levien: I think this is a really complex topic. I just gave you a fairly complex explanation of our view of the topic. And I think we don't know where that's all going to go, don't know how the story ends on regulation. I would just say I'm as curious as you are to see how it all unfolds.

Heath Terry: For many of us, if not all of us, news has clearly moved beyond the written word, especially as we collect it online. You have podcasts, video content, networks of other apps. How do you see those channels of growth for the company?

Meredith Kopit Levien: Let's start with the podcasts. And I would say just generally, to answer your question very broadly, we're optimistic that other formats beyond text are a really important way for The Times to do that thing I said in the beginning, which is to make our way into more people's lives and to make our way into more parts of people's lives that we're already in. Audio is an area that we're particularly excited about right now, and we've invested accordingly, given what we see in terms of the possibilities for audio.

I'll just talk about The Daily specifically, because that's what gives us a sense of the possibilities. The Daily, which our general news podcast has something like 4 million listeners every single day, so that is much bigger than the newspaper was, ever, at its largest subscription size. And most of the people who are listening to The Daily every day, you can imagine look quite different than traditional newspaper readers. They're, in many cases, new people to having a daily habit with The Times. They tend to be younger than traditional Times readers in print or even digital. They're much more likely to be female. I think the vast majority of the audience is under 40. A lot of members of the audience are under 30. And they come every day and they listen, in many cases, the whole way through. So they're spending, let's call it roughly 20 minutes a day with The New York Times. That's a lot of time with one medium, and it's usually on one story. So we think that's a very big business possibility.

I'll say a few ways as to how. First, The Daily is, in and of itself, a distribution vehicle for other programming that we build, and we've launched a number of new shows into the feed of The Daily. And that envelope proves to be a very useful mechanism to turn other things into hits, introduce new audio talent to the world, and we've done that in a number of places.

We also think The Daily is a great centerpiece for a broader array of the best stuff in audio that would be of interest to the curious audience. So we've acquired serial productions. We're very excited about that. We've just done a major, multiyear licensing agreement to be the home for This American Life. We've just brought Kara Swisher's main interview show to The Times. And I would say you can read all of that as us building a complex of audio offerings that meet a really different need than our news app does in the lives of that audience of 100 million people I described.

Today that is an indirect--plays a really important, but indirect, role in our subscription funnel, and I don't rule out that over time it will play a much more direct role in our subscription funnel. In the meantime, it's all a fast-growing killer ad business that I'm also optimistic about.

Heath Terry: You talked about the economics of the podcasts a little bit. How do you see those compared to the economics of, say, video?

Meredith Kopit Levien: That's a great question. I don't know of any companies that were not sort of born of linear television or that are platforms that have succeeded in making video itself, original video production, as a standalone business, a strong business. The economics are much different than in text. I think for The Times, and I should go back and say video as a format is something I think we do really well at The Times. We're really proud of the original work we do in video. We wouldn't have the report we have. We wouldn't show up in people's lives on news every day without a very full video operation. And it's really incredible original work. But that as a specific individual business, when we wanted to make a television show, we considered distributing it ourselves, and we said, "That's not where people go to sit and watch half an hour of news television." So we did it in partnership with FX and Hulu. We distributed it on a platform where the audience already is.

I think text to some degree is different. I think the translation of text to audio is just easier from a production standpoint. It's not a dead lift. One is not a facsimile of the other. But I think for The Times, and probably for many others in journalism, it's a clearer lift, and it's one that we have more optimism around as a standalone business.

Heath Terry: Sure. While we're thinking about economics, you do still have a very meaningful print business. What are the economics of the print business in this day and age, and how are you going about thinking about growth and leverage out of that business?

Meredith Kopit Levien: Let me first say that the thing that has surprised me the most in my 7 years working at The Times is just the resilience of that print subscription line in the overall revenue picture of The Times. So it has hovered at or around \$600 million for basically the whole time I've been at The Times. And there are two things going on there. One is it is an incredibly loyal audience, and two, that pays a lot of money for the product. And that just hasn't changed. Even as we've come down a little bit, sort of year over year, in print subscriptions, we are able to get people to pay more, particularly tenured subscribers, to pay more. So if you get 7-day-a-week home delivery for The New York Times today, you are likely paying well in excess of \$1,000. So there's a ton of value in the product and a very loyal audience for it.

That said, let me not shy away from the idea that print is in structural decline. I think the important thing from an investor standpoint is that we have really begun to de-risk the business from that structural decline. Actually, in the second quarter for the first time, we crossed over the point where we brought in, for the first time, where we brought in more revenue from digital than print. There will still be some noise--I can't tell you it will always be like that from here, but certainly directionally, that was a really big moment for the company. The other thing to say is we don't assume this continuous decline in print subscriptions. So I don't see a ton of risk there. The structural decline is happening gradually.

By contrast, I want to say we have seen this continuous structural decline in print advertising. We've seen that a few times now in my tenure at The Times, but that business is now such a small part--still very high margin, but a very small part--of the overall economics of the company. So I think we're pretty well girded against that. We saw overall advertising fall very significantly in the last quarter, and we're still able to grow the business. So we were able to withstand significant structural decline, because print in particular is just now a small minority, a small part of the business, minority of the economics.

And just the last thing to say--I can't talk about print without saying this--it's just still a great product. If you think about that Sunday paper, there's nothing like it in the world, that you can get all that value for \$6.00. And the consumer still thinks so.

Heath Terry: Yes, still a weekend subscriber myself.

Meredith Kopit Levien: Thank you for that.

Heath Terry: How do you think about the strategic opportunity for The Times, given your balance sheet, given the state of other news operations, particularly in local? Are there M&A opportunities that you could leverage onto the platform you've built?

Meredith Kopit Levien: Let me say--I said at the beginning of this conversation that we intend to accelerate our strategy every way that we can, and I certainly don't rule out M&A as a way to do that. I'll say it one more time: the work is get many more people to have a direct relationship and ultimately have it in a paying relationship with The Times, and then add more value in more parts of their lives. And we've got our own standalone businesses through which we're beginning to do that. We've got a very successful games business that I think has a lot of growth potential in it. We've got a very successful cooking app that has a lot of growth potential in it. I've just talked about audio, and I don't rule out some inorganic additions to the portfolio to the extent they make brand sense for us and that they would fit in this broader bundle thesis or subscription flywheel that they're building. So I certainly--that we're building--I don't rule out M&A as playing a role in that. I also think we've been investing organically quite a bit in the model, and I think you're going to see us continue to do that. And over time, in the not-too-distant future, that investment, it's already beginning to pay off, and you're going to start to see it pay off in the form of margin expansion.

Heath Terry: Meredith, I think we could probably go on for a lot longer, but we're out of time. Thank you so much for joining us. I certainly look forward to staying in touch and seeing everything that you and the team do there at The Times.

Meredith Kopit Levien: Really enjoyed this, Heath. Thanks so much to you and to Goldman Sachs for having me.

Heath Terry: Any time.

Meredith Kopit Levien: See you soon.