

Technology, Media & Telecommunications Practice

Building a digital *New York Times*: CEO Mark Thompson

Thompson looks back on an eight-year tenure that has transformed a 170-year-old news brand into a global, digital-subscription-first powerhouse—and at what lies ahead for its new leadership.



Over an eight-year tenure that began in 2012, Mark Thompson, president and CEO of the New York Times Company, has overseen a dramatic transformation of the storied institution into a digital-centric news brand. Under his watch, the *Times*'s digital readership has jumped to nearly 5.7 million subscribers, from half a million. Its annual revenue from digital-only subscriptions topped \$450 million at the end of 2019. The *Times* has said it now has 6.5 million paying readers, more than halfway toward Thompson's target of ten million subscribers by 2025. In late July, the Times Company announced that Thompson, age 62, will retire as CEO and be succeeded on September 8 by Meredith Kopit Levien, the Times Company's executive vice president and COO, who was hired as head of advertising by Thompson in 2013.

"I've chosen this moment to step down because we have achieved everything I set out to do when I joined the Times Company eight years ago—and because I know that, in Meredith, I have an outstanding successor who is ready to lead the company on to its next chapter," Thompson said, as part of the transition announcement. "There's nothing that makes me more proud than the fact that our newsroom is substantially larger today than when I joined. The world needs *Times* journalism now more than ever."

In a wide-ranging conversation with McKinsey senior partner Yael Taqqu and McKinsey Publishing's Raju Nariseti over three days in July, Thompson looked back at his tenure and the still unfolding transformation of the *Times*—and why some of the ambitious targets he set in 2019 seem modest compared with the opportunity "to become one of the tiny handful of trusted independent sources of news in the world." Condensed and edited excerpts from their conversation follow.

A shared ambition for change

Joining the New York Times Company

It's quite a good, romantic story. I got a phone call, asking whether I'd like to be considered to

become chief executive. And I said no pretty quickly. Then I spent about a week thinking about it and remembered that I was a loyal subscriber, a digital subscriber, to the *Times* and that I thought it had the best newsroom in the world—which I thought was probably underleveraged.

I met the board, and I met key family members, and they said, "We've got to a point where we know we need fundamental change. We will back radical change." And so, in the end, I made a personal, human assessment of the people I'd met, and I trusted them.

The board and the family have been stalwart supporters of everything I've tried to do at the Times Company, and I'm incredibly grateful to them. And because we had this shared ambition for change, it became possible. To everyone's surprise, one of the most famously conservative news organizations in the US ended up making the most progress.

The initial challenge

The biggest flashing red light when I got to the *Times* was that the rate at which we were gaining digital subscribers was slowing down—and slowing down very abruptly. It was something like 74,000 in my very first quarter, the last quarter of 2012. By the second quarter of 2013, it was 22,000 or 23,000.

It looked like the model was plateauing. For a company with four main revenue streams, with print subscriptions essentially stagnant, print advertising in real decline, digital advertising had just turned into decline, to be told that your one hope, digital subscriptions, is plateauing—that's really bad news. So the most urgent thing to do was to figure out how to get the digital-subscription model to work.

The 'cold eye' of the outsider

Right from the start, I thought, "What does ten million subscribers look like? And why not aspire to more: 20, 30 million?" Many people laughed at me; they took me aside and said, "You can't really do that. That's just not the way publishing works. Even in the heyday, we never did that."

An outsider has many disadvantages, but one advantage is a “cold eye.” In this case, I took the job because, besides all the problems and the difficulty of change in a legacy media organization, I thought there was also immense potential.

Seeing the path forward

A new premium-content model

I never believed we could have the same pricing power in digital that we had in print. The *Times* had done quite well early on in digital because it was a very secure, very friendly, very prestigious brand. Advertisers who didn’t know much about digital felt very comfortable about advertising with the *Times*. But by 2012, that was clearly being competed away.

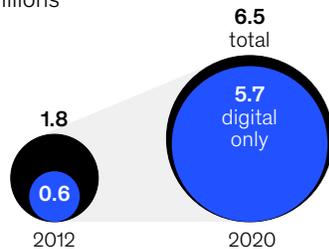
The psychology inside the *Times* and other newspapers was that all you had to do was get a bigger audience and transfer the wonderful economics of print advertising to digital. I didn’t buy that. I think digital can be useful. I think it’s an important adjunct source of revenue. But I never thought it would save the *Times*. It had to be subscriptions.

The question, then, is fundamentally about willingness to pay. And the bet was that news is like entertainment—it’s not just one thing. News is not literally a list of headlines and hard news stories. It’s a sophisticated cultural object, and there’s better written news and better reported news and worse news. The better stuff, discerning users will pay for,

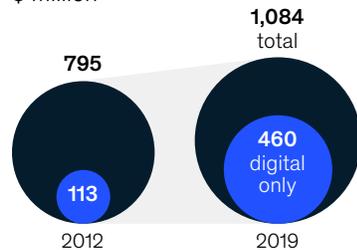
Exhibit

Digital-only subscribers to the *New York Times* have soared and now account for the majority of paying readers, generating nearly half of subscription revenue.

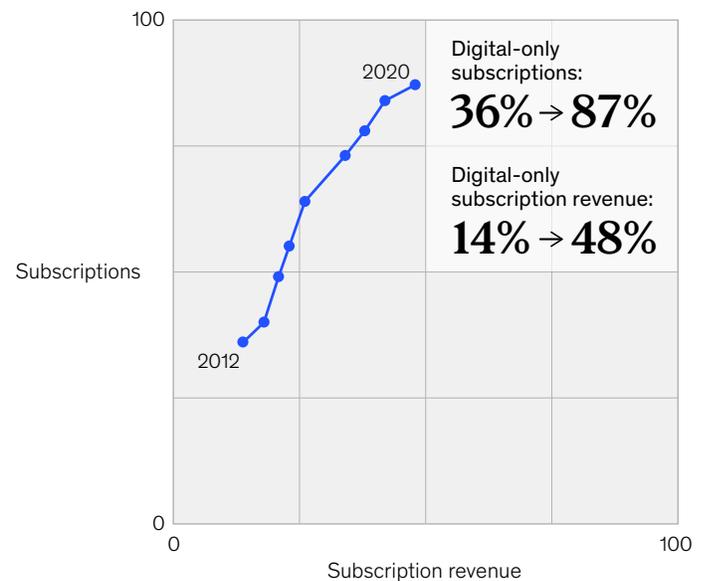
Subscriptions, millions



Annual subscription revenue, \$ million



Digital-only subscriptions and revenue as a share of total, %



Note: All data are for Q4 of each year except for 2020, which uses Q2 data.
Source: New York Times Company

“We want to make a great smartphone news product out of which we can get a website. And then we can curate a great physical paper out of our website.”

in the way that discerning users will pay more for a better pair of shoes or they'll pay more to get access to better TV.

So we said, “Why can't we be the first successful general-interest, premium news provider and prove willingness to pay?” We did the research. And we broadly, significantly underestimated in the early research what the opportunity could be. What we didn't know in 2012 was how rapidly Netflix and Spotify and others were going to habituate users to paying for premium content and how much easier it was going to be for users on their smartphones, particularly, to quickly subscribe and unsubscribe. But around the world as a whole, this process of habituation's only just begun.

'A conveyor belt of improvements and ideas'

In many media organizations, the answer to the future lies in the past. And the *Times*, in an earlier difficult economic period, began to include daily lifestyle sections that were not obviously news journalism—real estate, culture and entertainment, food, dining—which started making the case for a bigger proposition.

The *Times* wouldn't just tell you what was going on in the world. You'd find your next apartment through the *Times*. You'd find your job through the *Times*. You'd figure out what to go and see on Broadway

through the *Times*. Partly because of the complexity of physical distribution, the most logical way of taking all these little products was to bundle them up and sell them as a single newspaper.

Serendipitously, the Times Company had had some very conservative tax advice and had launched its crossword digital-subscription product as a separate little product. And one of the things we started doing when I came in was saying, “What else can we do? Can we build other products?”

We built NYT Cooking, which is a very successful product. We bought Wirecutter, another very successful product. It was about trying to get a conveyor belt of improvements and ideas and things to develop and optimize that was constantly being added to—and that we were constantly exploiting.

Podcasting and audio point to a future where the consumption of news and journalism may be more interactive, may happen very fluidly between moments when users can read and moments when they're commuting or they've got their earphones in and they're exercising.¹ And ultimately, it may become interrogatory, where the way you get news is by asking questions and getting answers to questions, as opposed to listening to something that is being read out as if it was a speaking book or an audio novel.

¹ On July 22, 2020, a few days after this conversation, the New York Times Company announced that it had agreed to acquire Serial Productions, the podcast studio that released the hit series *Serial* in 2014.

The hard stuff is the new stuff

When I got there, we had a print newsroom, with a few digital people. They'd make a wonderful print newspaper out of which they could get a website. And my notion was, it's exactly the opposite of that. We want to make a great smartphone news product out of which we can get a website. And then we can curate a great physical paper out of our website.

I didn't think the *Times* was a print newspaper with a little digital operation. I thought the *Times* had a number of platforms: a print platform, a web platform, a smartphone platform. I felt freer about how to define an organization around its values, its mission, and its belief in a certain kind of content rather than limiting it around its delivery platforms.

Everyone at the time (as early as 2013) was completely mystified by this. They thought, "The *Times* is a newspaper company. That's what we do. Surely, the digital thing is the special thing." But there's an element of sleight of hand about it. This is saying, "No, print is a platform. And actually, the muscle memory in the company for print and the managerial strength is fabulous, something the company really knows how to do."

Print is, indeed, going to produce a vast amount of free cash flow for us. It's a fabulously profitable business—and will be for many years. The *Times* print product will probably survive into the 2030s. It's a long-range thing. But we know how to do it. And it can be done by a small number of executives. It doesn't need the whole executive team.

The hard stuff for this company is the new stuff. And most of our efforts are going to the new stuff because we can get really trusted colleagues to sort print out for us.

Reorganizing for change

Finding adaptable, flexible leaders

After we first talked about the future of journalism and how we were going to reach out to broader audiences, we needed a significant change in leadership across the organization. Consumer behavior's changing, the competitive landscape's changing, the relationship with the major digital platforms—it's like some vast series of complicated weather systems crashing into one another. All of that requires responsiveness by the organization and requires change. Adaptability and flexibility become important.

Many, many leaders have become leaders because they're great at one thing. Generally, in this digital moment, you need people who can be good at one thing and can then learn something else. We brought people in from outside the *Times*, sometimes promoted people from inside who were more open minded.

We got into the habit of quite intense conversations. In 2015, we had nearly a year when the top five or six people met in a room. We'd meet Friday at noon, leave at 6:00 p.m. or 7:00 p.m.—so six or seven hours of debate, every Friday, from early April to November. Ultimately, through lots of

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Meredith Kopit Levien, executive vice president and COO of the New York Times Company, will succeed Mark Thompson as president and CEO on September 8.

kicking and screaming and argument, we ended up with a genuinely shared vision that we eventually produced as a single page of bullet points, including doubling our digital revenue in five years, being a subscription-first company—advertising, yes, but subscription first—and needing to become a daily habit, being a destination.

We had almost a creed, a set of articles of faith. And they were shared. They weren't imposed by me on everyone else. My job was much more to pull it out of the organization rather than to impose it. And they executed against it because they'd come up with it.

We've seen enormous change in leadership. You look around the table of the executive committee, there's really only one or two faces who were there at the start. So we've seen very, very deep change. I don't see how we could've done it without that, though.

The battle to become agile

We were endlessly fussing with our digital structure. I think we didn't get digital structure close to right until late 2018. I often say to Meredith [Kopit Levien, the Times Company COO who will become CEO on September 8, 2020] that I reorganized digital three

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times, unsuccessfully, and she reorganized it twice, unsuccessfully, and then we got it right.

If you think about a digital product—a smartphone app for the *Times*, say—it’s an integration of everything. It’s a kind of Rubik’s Cube of audience data, of behavioral science and ergonomics, of how the thing’s going to be packaged, of the pure gold of the actual journalism itself, of the integration of different media—and within that, a customer journey for people to register and ultimately become subscribers. You’ve got a very complex entity there, which is a team project where everyone has to be in the room. So we needed a cultural shift from a

very strict division of labor to something that was far more integrated.

We had a model that was originally based on a version of the traditional Times Company structure: very silo based, different disciplines. And a project would involve people from different disciplines coming together to try and solve the problem. But they’d always have one eye to their home discipline. And vertical politics often got in the way of rapid change.

We moved to a matrix structure where the team leaders—often very young, late 20s, early 30s—



Dean Baquet has served as executive editor of the *New York Times* since May 2014.

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have power over the product and tech road maps and can make decisions based on what they learn from the testing-and-learning platforms, without regard to senior leadership. They did it very quickly, without a control group, because they thought organizing a control would be too long and complicated. And they'd rather just do it and measure its success or failure, with the view that they can always reverse it.

So structure proved very difficult, very complicated, and has been a battle over at least five years. I think we're about 18 months now into success.

What's next

Assessing the insurgent threat

The internet was expected to produce plenty, and therefore, ferocious competition. But what we're talking about is outstanding, professionally made, thoughtful, global news coverage. I would say the list of competitors is not very big and the trends in the business are going to make it harder to launch or to grow, rather than easier, in the coming years.

This connects to another point that is not often discussed enough. It is essentially, to use a theological term, “supersessionism”—the assumption that what's going to happen is replacement. That conventional news sources, newspapers and TV companies, are going to be replaced by new insurgents.

It's clear that replacement, the superseding of old media and news, is really difficult. And it's not obvious that the digital insurgents have got, as it were, operating leverage or other cost advantages that really help them once traditional media wakes up. Now most of traditional media is not waking up—and probably will never wake up. But organizations like the *Times* have eventually responded aggressively and have caught up.

So what's interesting to me is the competitive context for the *Times* weirdly feels remarkably thin. We've got 1,750 journalists working their hearts out, trying to produce the best journalism in the world. Not many other people are doing that. And honestly, if you look at the next decade, it may be there's fewer [competitors] in ten years' time.

Going for growth

My view is, we should always be trying to grow, in an underlying way, based on whatever's happening. We've had two very big spikes around news. We had a big spike with the election of Donald Trump in late 2016, and we had a big spike more recently because of the coronavirus. And after each news spike, you come back down to a higher level than before the spike and start growing from there. So far, we've been able to achieve that.

To give you some sense of that scaling, in 2012, the *Times* was probably doing about 50 million “uniques” a month. We did 240 million uniques in March 2020.

Now that was a COVID-19-focused month, but that's almost five times [as much], at the very top of the funnel, which is not our main focus. Our main focus is actually around engaged users.

But the simple scaling of the audience, the fact that hundreds of millions more are getting something out of the *Times* than was true eight years ago, is testimony to the fact that if you think big, it takes you to a very different place—if you don't have the psychological barriers of having grown up in an industry where typically publications will get half a million, a million [subscribers] and be done.

Reaching new US readers

Geography really matters—and within that, diversity. America's complexion is changing. Almost literally, its complexion is changing very rapidly. Age is also important. We moved from reaching one in five millennials a few years ago to reaching more than one in two per month—about half of American millennials.

With that availability to younger users comes all sorts of interesting questions about how you modernize, about how you cover things like culture, how you cover race and diversity. Which I think the *Times* is rising to the challenge of.

Also, the *Times* used to be male skewed. It's now somewhat female skewed. And you can see, all over the news report, examples of more pieces that are commissioned by editors who are themselves wanting to be available to perspectives, to stories, that are more likely to appeal to both genders.

These are fundamental changes. You once had the idea, which had a grain of truth in it, that the 50-plus white, college-educated, dyed-in-the-wool Democrat Upper West Siders who'd grown up with the *Times* were the ones who loved it. We have those people. We love them. I live in a building on the Upper West Side. They are my neighbors. But we're much broader than that. You can't reach 160 million Americans entirely on the basis of the population of the Upper West Side [of Manhattan].

'Local for global' coverage

I sometimes talk about the *Times* moving up a shoe size. It's just become a bigger thing. Honestly, the ten-million-subscriber target, which is only about 18 months old—it was announced in February 2019—now looks too modest. We said ten million by 2025. The company will be more than two-thirds of the way there by the end of 2020, based on current momentum.

The opportunity now is to become one of the tiny handful of trusted independent sources of news in the world: of immense appeal in the United States but also throughout the entire world of college-educated people who've got a good command of English; who've got an interest in what's happening at a global level, what's happening in the United States, and what's happening in Western culture; and who really want reporting that touches every part of the world.

We're not going to put enough journalists in Australia to fully cover Australia, to compete head to head with local media and local journalism there. Our thesis is about "local for global." We're going to cover those stories in Australia that hopefully will be interesting to subscribers in Australia but actually are interesting to subscribers everywhere.

Because of that, we believe that the way in which our cost base will have to grow will not be as great as the international opportunity. We haven't talked yet about operating leverage and the fact that as we build out this model, even though we're going for growth, we're currently trying to grow the base. We're thinking about profitability and how we can make sure we're designing a business model that, over time, yields improving operating leverage.

I don't think it's impossible that it will achieve the same kind of profitability as when the economics of print advertising were very much in favor of publishers and astonishingly high margins were achievable. We're not going to get to those high margins in the same way, and the barriers to entry are very high for this kind of high-quality journalism.

But if we get better and better at organic growth—in other words, growth in digital subscriptions based on engagement and consumption of the product itself, as opposed to growth achieved through paid marketing—then, over time, we’ll see the revenue of the company grow far faster than its cost base and the profitability of the operating leverage get better and better.

So the broader idea of trying to deepen and broaden engagement—to broaden the appeal of the organization and to get smarter about how you attract people of different levels of income, in different cultural contexts and so on—is the way forward. The ultimate scale of the thing could be really immense—maybe 50 times, 30 times what the ambitions of the company were when it launched the pay model in 2011.

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