

ISOJ 2019: Day 1, Morning Session

Keynote speaker: Henry Blodget

Chair: Mike Wilson, editor, **Dallas Morning News**

- **Henry Blodget**, co-founder, CEO, and editorial director, **Insider, Inc**
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Mike Wilson: Good morning everybody. Well, good morning and welcome, and I especially want to welcome my colleagues from The Dallas Morning News. The Dallas Morning News has been privileged to be a part of ISOJ for many years and we're glad to be back and supporting it again, and of course congratulations to Rosental on 20 years of a great conference.

Let's get right to it. You all can read the bio of Henry Blodget, co-founder, CEO, editorial director of Insider Inc. Insider publishes Business Insider, Tech Insider, other publications, it's a global journalism force with 500 staff members and offices and affiliates in more than 17 countries, those are the facts.

Anyone who's seen Henry speak knows that he is a font of ideas and energy and we look forward to sharing with him this morning. I'll bring him out and he'll do a presentation and then we'll sit together and have some questions and then maybe a few of your questions if we have time. Welcome Henry Blodget.

Henry Blodget: Thank you so much. Thank you all so much, first I want to say it's a huge privilege to be here and thank you to Rosental and ISOJ for having me, it's great and I hope it's interesting. So, I'll talk for about 20 minutes to set this up and then Mike will come up and grill me and you can throw in questions if you want, as well.

Basically, I just want to give you a picture of where Insider is now, our company and where we started, and then going back. I was an analyst in the 1990s and sometimes it's hard to completely get over those habits. I'll give you just a picture of what we think is happening in the industry and why the digital media industry

actually is going through a very tough period right now. I don't think it's going to last forever at all, but we'll talk about why and then the local issue, which is still a problem we need to solve.

So, let me take you back to 2007, not nearly as old as ISOJ, but seems like a long time ago now. I was a freelance journalist doing some consulting and so forth. A friend of mine called me and said "look what do you think about starting a tech publication for New York, like a Tech Crunch for New York? and I said, "You know, that sounds like a pretty good idea and I actually do want to start a company, that's one of my goals so let's do it together."

So, we launched. We took a bit of money, our own money and we put it in a jar, we basically said OK this will give us the ability to experiment for a year, and I hired a few people, we launched the publication in the summer of 2007. It was three of us in the loading dock of another startup, and we had our computers, we were typing frantically, we basically knew that we had to create an audience within that first year before the money ran out, otherwise we would go bankrupt.

And it was in those early days, we basically had the philosophy that digital was going to be a new medium, it was going to be very similar to the evolution of television journalism. I'm sure you've seen the early television journalism broadcasts where the broadcaster reads the newspaper to the camera and it couldn't be more boring, but television figured out very quickly "hey, you know with a camera we can do some things we can't do in print and they're good, they're different, but they're good."

And television evolved into this thing that is completely different from print journalism, but tremendously influential and powerful, and so our philosophy was: digital will evolve the same way, it will be very different from print and TV, but it will become a massive medium and there will be new brands and companies built and we want to be one of those.

That philosophy was very helpful to us because it gave us the ability to try lots of ideas. Many of those ideas were bone-headed and they did not work, and we discovered that very quickly. Fortunately, some of them did work and we kept

doubling down on the things that were working. We initially, as I said, were three people typing in the loading dock. It was to the point where if one of us went on vacation for a week, our traffic would drop by a third, it would be very scary, we'd have to type faster and so forth, but we steadily grew. A few years in, we launched video. Our first video efforts were just so bad I can't even tell you, it was like terrible CNBC.

We had the idea like "Oh, we can go live and people will watch" and I interviewed people about the market at our little restaurant desk in the newsroom, and 13 people watched, and by the end of the week it was up to 16, and we said: "well you know, a couple of things: 1. we could keep doing this forever and we will still be bad CNBC, and 2. there were already three business news channels for linear television. One of them is available online, for free, 24 hours a day, all over the world, and nobody watches it. So, maybe the digital audience doesn't want linear television. What do they want in video?"

And so we started this process, we eventually figured that out, we became very big in web video. Then suddenly Facebook came along and we said "oh Facebook Video, people love our video, we're going to put it on Facebook and everyone's going to love it." And we put it up there and nobody watched it, and we said: "Why? What's going on?" and we analyzed the product and what we realized is, in fact, it is a totally different discovery process than the web. We completely retooled how we told stories, what we showed people, immediately we became huge on Facebook.

We were one of the largest video producers of Facebook Video, then Facebook said, "Well, actually, you know, these 20 second clips that you guys are producing, people like them, but we don't like them, it's not serious enough, we want to go long-form." So, suddenly they said it's gonna be three minutes or nothing. Our views plummeted. We said to our team, "Look it's time to learn how to tell 3-minute videos." Took a few months, but then we became very big in that.

So, the story of the company really has been this process of A. Terror, that if we don't figure out the model over the next year before the money runs out we're gonna go bankrupt, but B. just constant experimentation. What works in the

medium? What does the audience value? How can we continue to increase our revenue and increase our editorial budget every year? Fortunately, we've been able to do that. I feel tremendously fortunate and I'll show you some of the numbers in a minute.

But that's where we are. At the same time, we're looking at the industry broadly and over the history of our company - when we started people were incredibly skeptical about digital content. Raising a few hundred thousand dollars was considered just this massive amount of money. Over the next 10 years, of course, everybody suddenly started forming companies. Investors began to realize like you know, "Hey, digital content it's not like a complete hallucination. There'll be some companies built."

And by 10 years in, basically you could say, "I have an idea," and five million dollars would fall out of the sky and you could start your company. And BuzzFeed was going out and raising two hundred million dollars here, and three hundred there, and suddenly we felt like we'd raised 50 million dollars and it felt like couch change and so forth.

And then, as always happens, the industry basically got over-capitalized and now we're going through a consolidation phase that is very painful, but we will get through it. People love great journalism, digital is the medium of the future, the strong will come through this and be even stronger.

So, let me give you... if I can find this, is there a clicker of some sort? Great. OK so, we'll run through very quickly and again. So, now we're about 500 people worldwide, we're read in more than 100 countries around the world, we reach on site about one hundred and seventy million people a month, and with our distributed video probably a total of about three hundred and fifty. I keep telling our team, "we're going for a billion people a month," that's where we want to get to. That sounded like a complete hallucination a few years ago. Now it seems achievable and we'll continue to work toward that, and the thing we're most proud of is we have a newsroom thriving, incredibly talented, two hundred and seventy five journalists, we want to continue to grow that over time.

And that is made possible by our model. This is not just investor capital that we're burning in the few minutes we have left before we go bust. We are trying to create a sustainable model that will continue to grow over time.

We're aiming for the digital generation, I'm sure you've all seen the chart where if you look at our media time every year in terms of how we're spending it every medium is going down in terms of total time except digital is going up every year. That's been the case for a long time. What that doesn't show you is that it's very generational.

Media habits die hard. People my age and older still come back home and turn on the TV. Might even watch some linear TV, although certainly my kids never do that, they just watch Netflix and iTunes and so forth. But we turn on the TV. Some people my age even read print newspapers. My wife and I, seven years ago, had a collective heart attack seeing our kids with their phones at the kitchen table. We said, "O, my goodness our children are going to be vidiots, this is terrible, we have to get a newspaper."

So, we ordered The New York Times and it was supposed to be my job to go out and get it on the stoop in the morning and bring it into the table like it was when we were kids and everyone would read it at the table. Of course, I would have consumed 14 different newspapers by the time I got out of bed so I wouldn't need any more news. I would forget about it. We'd be going to school, there would be the paper in its tube. We would come home, the paper would still be in its tube. I would pick it up and take it and stick it in the recycling bin. Finally, after a month or so we said, "Alright, fine, so the kids will be vidiots, it's okay."

Everybody thought television was going to kill us when we were kids and we're still here. So, it's all right. So we gave up. But the point is that digital is very much a generational thing. We are aiming at the now 15 to 40 year olds who grow up, pretty much digital is what they know, and they are becoming the mass market.

Very soon people like me who grew up on newspapers will be going to retirement and as we often tell our clients sometimes on Business Insider, "You know, Wall Street Journal is a fantastic publication, it is, without question. If you want to reach

retired people Wall Street Journal is perfect for you. If you want to reach today's business decision makers, Business Insider, that's for you." And we can back it up in our in our statistics ,which is great.

So, what the company looks like now - about eight years in, we decided we had to go broad, we're feeling a little bit constrained in our storytelling by business. So, we went out and raised our big round, which was \$25 million in those days, felt like billions, now again feels like couch change. And we decided "OK, we will launch Insider, it will be a global brand, we'll build out verticals underneath it. Business Insider is the most important and biggest of those right now, but we are continuing to build out lifestyle and other content and we will continue that for a long time."

Talking about Business Insider... One thing, if you followed us in our early days, there was a lot of controversy in the industry around aggregation and things like that, we did a lot of that then primarily because the audience did value it, and because our main concern in the early years was, "How can we survive?" And over time as our editorial budget has grown, we've been able to invest more and more in exceptional investigative journalism. Our core is still business, it's tech, it's retail and finance, but we're now breaking regularly a lot of news that goes way beyond the business community.

We have a research business that is a nice subscription business, but a relatively small part of the whole. It's focused on digital transformation, that helps. Insider, as I mentioned, is a general news and lifestyle brand. We started with a lot of lifestyle categories that we weren't touching in Business Insider, it continues to grow. Huge video presence here. We have about 100 super talented video journalists who are building lots of content that we distribute across everything, not just on the sites, but that's growing very nicely, as well.

One thing, one bet we made a few years ago that was then pretty controversial, was that our philosophy was that the internet is a medium with a million different doors to it. Sure we could sit there and try to wait until people came to our site or we could say, "You know what, let's put our stories where people are." And there are many different platforms, many of which are partners here at ISOJ. We made the decision we're going to put our content where people are, on different platforms,

hopefully over time the economics will come with that. And that's what's happened.

There was no economics with Facebook, early on, MSN and others. Now, this is a big and growing part of our business. So, if you're not doing that I would certainly encourage you to. It's very hard to force people to come to your site. We have an ocean of great journalism produced every day. You want to actually put it where people are, and that's the way we've done it.

Commerce. I think one of the big things that hurt newspapers obviously was the collapse of classifieds. Affiliate commerce is turning out to be a great business for us, so we have a lot of journalists focused on products and services. How do we help people choose good ones? It sort of fills a missing niche within e-commerce, and so this is a big part of our business doing very well.

We are in podcasts, it's relatively small for us, but the idea is that Business Insider and Insider will be brands that cross all media over time. Insider TV, just a quick note on video. One of the problems that has developed for advertisers has been that YouTube, Facebook, and some of the other platforms, they're terrific for reaching a colossal audience, but sometimes they do have adjacency problems where brands will find that their advertisements are in front of different content that they are very embarrassed about.

The platforms are getting much better, but ultimately we are now packaging all of our video together. It's like a TV network, you can buy it across the different platforms. And that's working very well because the other thing that happened was, for a few years, advertisers were saying, "Look, we like site video, just site video." And the problem is that we all know that when we go to a website usually it's not to find video. Yes, you can have the incredibly annoying auto play and that does make a little bit of money while you still have an audience as they're cursing at you on the screen, but people don't like it, and ultimately we have a big online video presence on the website, but our real video presence is out there, in the world, on the different platforms, and that's doing well. And this is the way we're packaging it, as Insider TV.

There's showification going on in video now. That's the new big video trend. Rather than just Business Insider video, it's different shows. Some of ours have done extraordinarily well and that's something, again, that I think is a big opportunity.

On site audience, as I said, is about 170 million. That's Comscore Global. Business Insider's the largest by reach in the U.S. in terms of business. Importantly, it's going right square at this digital generation, millennials number one site for Millennials and Gen Z.

Gen Z, this new thing that has come along in the last few years. I would come home when my daughters were younger and occasionally you know the topic of what Dad does would come up and I would see them light up when I say I tell stories for a living and then they say: "yeah, but Business Insider, you know like, Dad... business is boring" and finally when we launched Insider and Cheese Insider and Dessert Insider, I became a hero in my household. It's very good.

And collectively now Insider with Business Insider is the number 2 by reached news site in the US, so very pleased with how that's developing. It's very global. This is the other big thing that is happening with digital media in general. Facebook, Google, even going back to Yahoo in the 90s, these are global brands and advertisers have the problem that everything here to 4 has been country by country, you have to have relationships in each country. Increasingly they want to reach the world or at least different regions, and so we think that our brands will ultimately be very global brands, Business Insider has 17 editions in 9 languages now, and we're doing the same thing with Insider.

So, when you put it all together, we've been incredibly fortunate. Our revenue has grown strongly for the last few years, about 40 percent. We did about a 100 million last year. And most importantly that supports a \$30 million editorial budget, and our 275 journalists. The only way we will survive is if we can continue to grow that.

Investors are generous in the beginning, but also impatient and they will cut off the flow. So, if we weren't able to build this, we would not be here quickly, and so

that's our challenge. So, that's us. So let me talk a little bit about the industry as a whole and then submit myself to Mike's questioning.

So, there are two big issues. One, we know what happened with print, loss of classifieds was devastating, a lot of online is moving to advertising. A lot of print newspapers were very slow to realizing that subscriptions were a great business. By the way, they're a great business, and don't hesitate to move into them if you are producing content that nobody else has. People will pay for that. You cannot pay for print economics with either digital advertising or digital subscriptions. You have to have digital economics, but subscriptions is a big piece of that.

So, we know that, that's what's really brought a lot of pressure on print, but two other things in the last few years have really increased the pressure on digital, three rather. First is competition that I talked about. In addition to all the native guys like us, every legacy publication, and network, and radio station, and network in the world has realized like "Whoa digital is the future we've got to steer a lot of money there," so the competition has become very intense, but two new things: 1. After many many many years of growth we are reaching what I would describe as peak media in developed markets. What does that mean? Couple of years ago a consulting firm decided to figure out what we do all day and what they realized is we're so good at multitasking that in the 16 hours that we're awake we actually accomplish 31 hours of activity because we multitask and we always have the radio on while we're looking at our computer with the TV and so forth.

12 of those hours, of the 31, are media and technology consumption, so that is a lot of time that we devote to that, that's good for us in the journalism business. Digital is now the most used medium, it's 6 hours a day, that includes everything not just journalism, but watching YouTube, and fiction, and communicating, and so forth. It's a lot of time.

If you go back and look at where that time came from. First computers and the desktop got connected, that freed up 10 to 12 hours a day that heretofore were a media wasteland. You used to take the newspaper, read it in the morning, dump it in the trash, and then go home and watch the evening news. Suddenly, computers

on our desktops opened up journalism to daytime. And then in the past 15 years, mobile has opened up all of the other spaces of time.

So, we had this tremendous creation of potential media consumption time. Unfortunately, everybody is now online. Until we get chips planted in our brain to stream us stuff at night, which Elon Musk is working on I'm sure, it is going to be - there's just not that much more time. So the same consulting firm basically said, "look, you know, online consumption is only going to grow by another 18 minutes over the next five years." That's not a lot, so we have lost a powerful tailwind as an industry.

Meanwhile, as you all know, the Internet is great at blowing up barriers that used to protect businesses. In journalism, that it geographic barriers and media barriers. Digital is blowing up everything, there is no reason for a regional newspaper or TV network to have a national correspondent in Washington to figure out what the president is doing for that region because there are many national publications that do it, all they are is a click away, there's no reason to do that.

So, it's the same thing with different media. Now, you know, TV, radio, print, we're all surrounded, there is a difference between them and we all sort of work them into our lives, but everything is sort of flowing together. So, really what you have when you look at that six hours a day, we have everybody competing for that time and this is radio, this is TV, it's legacy, it's all the platforms, we're all competing for that time, and it's just incredibly competitive and difficult, and it is a survival of the fittest, Game of Thrones atmosphere, and that will continue for a while.

And while it is continuing, it's definitely going to continue to cause a lot of pain in newsrooms, but the good news is, for national coverage, I would suggest to you that the industry is okay. It is going through the same sort of consolidation period a lot of other industries have, but the world is better informed than it ever has been before nationally, and this will continue, and some companies will come through this much stronger, there'll be a lot of change, but ultimately national is in good shape.

I would say the problem that we still have to solve is local. A lot of newspapers did make a bad decision in hindsight in the 1990s, sort of just opening everything up for free, hoping the ad revenue would come in. Everybody's realizing now subscriptions is the way to go. That is helpful, but some more things need to happen.

And I think there is a lot of positive stuff that is happening and we will work this out over time, but this is where newsrooms are getting hit. Mike and I can probably talk about this in a little more detail. So that is an overview of Insider Inc and our view of the industry. Thank you so much, and come on up.

Mike Wilson: Well so, I want to dive right into the end of the... I mean there's so much to talk about, but there's a sort of that wonderful last slide, there's one more problem left to solve: local. And, you were good enough to give me the deck in advance and so then I click forward to the next slide and it said, "thank you" and I felt like I'd been to the mountaintop and maybe the guru didn't know the meaning of life.

So, what are we going to do about this problem of local news. If you think about it as a problem of... if you take it as a premise as I do, that communities need to be well-informed for governments to be held in check, for people to make good voting decisions and so forth, there needs to be some kind of institution locally that provides information. It needs to be done at some scale, so you have enough reporters to get the information. Where do you see this headed?

Henry Blodget: So, I think the way the problem will be solved is similar to the way digital native organizations have approached the original national problem. And national is a much bigger opportunity, lots more money and so forth, so it's tricky. But I think you will have entrepreneurs come in and say, "What can I do that works? How can it survive?" And I think we are seeing that, I mean there are some publications that are doing okay.

I think it will be a combination of advertising, subscriptions... big... I tried to run some numbers a couple of weeks ago knowing I was coming here, like "Well, let's just try a hypothetical 100% subscription model." It doesn't work because let's say

a household in a local vicinity maybe could pay \$100 a year if you're getting a lot of information, you know... that's still not going to build you a big enough newsroom. But combine that with advertising - and it has to be a new advertising model, it cannot be just digital impressions, it's got to actually be similar to I think the old local advertising model, which is you have a fixed position for all impressions, for local - and I think commerce has got to come into it.

Like, when I think about what classifieds used to do, it was very much, "I don't, I'm not sure. I'm looking for something, but oh that's kind of cool, a boat. Maybe I should buy a boat." There are the big classified organizations for selling stuff and finding jobs, doing a very good job for people who are really looking for a specific thing. I think there's probably a model to aggregate, do the affiliate model, my guess is that will kick in some. And then I think there are other revenue streams that are going to come from that. But when I felt really good about local was. I go to a small town in the summer, some huge crisis you know, some houses are about to be consumed by the ocean, and the people who live there are fighting, and so there's this story that I was just riveted by, nobody was covering it except for the local paper, and every morning when the weekly came out I went down, when I knew local was gonna be okay was when I went down in the rain and plunked down money for print to find out what was happening in this story that nobody else was covering. It's like okay if I'm going to do that, we're gonna figure this model out.

And then the last thing I'd say is I do think it has to be, maybe some national publications that will help with that, like take care of a lot of the platform issues. And I think we should all note that a lot of what local newspapers used to do is being taken care of somewhere else. Facebook is filling a hole, not for news coverage of the state house or what have you, but filling a hole of people communicating.

In New York at least there's now this app that you can look at high school sports in real-time and that used to be part of when I was a local paper, a local reporter, I used to go cover the high school football game, which was great, now you can follow it in real-time, they probably have cameras in certain cities.

So, some of what local papers used to do is gone forever, and so we can't think about, let's duplicate that. It's not going to happen. But I do think that if there is a need for information, the world will figure out how to pay for it.

Mike Wilson: So, on Friday nights in North Texas, The Dallas Morning News sends an army of journalists out to high school football games and we have live scoring of high school football, so similar to the app you're talking about. I wonder if you think that organizations like mine, like many people represented here, will be able to capitalize on that kind of thing and execute them as well as the startups have done.

Henry Blodget: I think absolutely. I mean, I don't know if it's people that are doing the gathering, there's probably a way to automate that, or facilitate it, or to have somebody at the school volunteer to do it, but if you can pull it together in a really convenient place, people will pay for that.

Data you can't get anywhere else. And that was the mistake I think, in hindsight, again everybody's brilliant in hindsight, but I think the mistake with the "ok everything has to be free" - that's the Silicon Valley, libertarian. We still have that, we have this subscription model. And it's so funny watching different people come in - the finance industry: "oh yeah, OK, I support journalism. It's good, they write about my company all the time," annual subscription.

Silicon Valley tech: "I think information should be free. I'll give them a dollar to read this story, but then I'm gone." And so we have to figure out a way to entice Silicon Valley in. It's okay to pay for things, it's not the worst thing. You pay for Dropbox, maybe it's OK if you pay for this other thing. So, that's a problem that we are solving over time.

Mike Wilson: So, a lot of us in for-profit media are going to a subscription model, especially local newspaper level, we're trying to build up audiences that way and actually I think we're getting some uptick these days because there is a sense to me, anecdotally, a growing sense that these institutions actually could actually really go away.

And there seems to be a little more sense of, “Well, I’m willing to support that,” but in a talk you gave a couple of years ago and you were good enough to share with me on YouTube, you talked about your concern about how many subscriptions people will take on. And so, should we be concerned about that and what can we do about it?

Henry Blodget: There's no question about that. The digital industry has gone through these pivots. Every year there's another one it seems like. Facebook would come along and then Snapchat, or what have you, and it was like "that's the future we've got to do that." A few years ago it was video, then people realized, “okay video is as hard as print, or text, if not harder,” but yes, the most recent one is “subscriptions are going to save us.”

And that sounds nice until you realize that as a consumer you're going to have 15 subscriptions, come on, to different magazines that kind of all cover the same thing, not going to work. So, I think that there is room for a few big general subscriptions and then a few specific subscriptions.

So, a particular area of interest or a locality or what have you, but that we're not all going to have dozens of subscriptions, and it is great that you have people who love the Dallas Morning News so much that they are subscribing to save you, that's very nice. I don't think most people are that altruistic. I think you're gonna have to get to the point where they may even say like, "Oh I hate paying them, but I don't want it to go away."

On subscriptions, like, it was hard because I admire Silicon Valley and so we struggled for years, it's like “Can we make people pay? People don't like to pay.” We put up the paywall and they're like, "Oh, I have choices, I'm not going to read you. This is outrageous,” and then I finally realized like, “Wait a minute, wait a minute. I don't like paying for clothes when I go to the store. I don't enjoy taking out the card, it's friction, my bank account goes down, but I do it because of course, I do it. They've made this thing and I'm buying it and that's what our whole capitalist society is about. So, you know, if you want to read the story you can pay for it. I know that's not your preference, but that's how we do it. So, I'm very

confident you will get there. Whereas people may even be grumbling about it, but they'll do it because you're providing great stuff.

Mike Wilson: Let me ask you a question about mission. I think you know almost every journalist in this room would say they got into the business to make a difference in the world, and I ask this question with no poison in my voice because I'm the guy who publishes The Jumble every day, but you know, are Cheese Insider and Bonkers Closets making the world a better place?

Henry Blodget: Look, my daughters love these things, and that's what we look for. You want to have somebody be happy they spent time with your story. It's not just my daughters, I keep referring to them, but it is tens of millions of people and those videos are incredibly popular.

You mentioned Bonkers Closets. What else would Bonkers Closets be about than people who have so much money that they can build three-story closets and fill them with hundreds of thousands of dollars worth of cool clothes. That episode, the first episode of Bonkers Closets watched way more than Desperate Housewives and some of these real shows that are on cable and so forth.

So, people are into it. And the real secret, which all journalists learn as soon as they get into the real world is that in The New York Times, the Iraq coverage never paid for the newsroom salaries. No advertiser wants to be anywhere near it, or plane crashes or severed heads or whatever it is, that is not the commercial section. There are lots of folks that cover it, people can get it from different places. The commercial sections, especially for advertisers are the dining section, and the food section, and the auto section, and science, and tech, and so forth. So, that's the way a lot of these are being organized.

So, there are journalists who, yeah they have that passion, that's what drives them, it is "I'm going to find out what is wrong in the world and so forth," and then there are journalists who are just great feature journalists who can engage you on stories about their areas of passion. You know, I'm a huge Twitter addict, but I gotta say, like, the relentlessness of the bad news and things that I want to go, "Grrrr."

Sometimes you just gotta shut it down and watch a cheese video and then you say "the world isn't so bad, it's not so bad."

Mike Wilson: It helps your business that you're not a snob, in a sense. I mean it sounds like you're not sort of hoity toity about news what people value. You just want to deliver what is interesting to them, what they care about, what I'm sure meets your standards as a person.

Henry Blodget: Both of those. I mean we want to make the world a better place and we want to do great journalism and great investigative journalism that is hard to pay for and we are. And the bigger we get the more budget we have to devote to that.

Mike Wilson: Let me ask you one more quick question and then go to the audience. A couple of years ago you said, "Hey Google and Facebook, they're out there, they have a lot of power, get over it, you know, small publishers, this is the way the world is." Now, legacy publishers are going to Congress to look for safe harbor protection from antitrust so they can negotiate as a group with Google and Facebook. What do you think about that?

Henry Blodget: My philosophy is that what's happening with the platforms and publishers is similar to what happened in the cable industry 30 years ago, which is you have distributors and you have content producers and distributors is a very good business, but if you have distribution without content, ultimately people are not going to pay for the distribution particularly. Facebook, YouTube, Google, so forth are all coming under increasing fire for the damage they are doing to the world by not being focused on high enough quality and not getting the algorithms right and spreading misinformation and so forth. I think it is in their interests that they increasingly take full accountability for what they distribute, and I think they will continue to do that, and I think that will very much help publishers and content producers of quality content.

It is, it's going to take time, but every year the platform shares more and more of their economics with publishers and that's what's driving a big portion of our

revenue. We hope that will continue, and I think it will, I think ultimately it's a symbiotic relationship.

If you say which is the better business? That's like yeah okay, Google's a better business, there's no question, but they do need great journalism, and we know that people need it and we'll always have it, it's just a question of who's going to make it and how it's gonna get to them.

Mike Wilson: Thank you. Question from the audience.

Audience: Yeah. I'm Sarah Kogod, Kogod and Company. I'm hearing a lot of talk about subscription models, about the state of media and how audiences are not growing as fast and time is not going as fast as companies want them to. And I'm not hearing a lot, both here and in most of these conversations, about the impact of inclusion on audiences, about the inclusion impact of subscription models and how it excludes a large number of people who have to make very careful choices about where they spend their money, and so inclusive business practices generally make more money, what do you see Business Insider's kind of focus in that area being and how does that impact your decision-making?

Henry Blodget: Just as a business model, we're trying to build at least a dual stream business model if not more streams and if you look at media companies across history, some of the very strong ones have a strong subscription and advertising model, so that's where we are. A huge percentage of our content is free. One of the things we discovered about subscriptions is you have to have a story that nobody else has. There's no reason for somebody to pay to have the same story about Trump that everybody has in 30 seconds. No one's going to pay more to multiple providers for that. You have done something that nobody else has, but in our case these are usually business industry stories and so forth, that's what's driving it.

I would say that if we discover something that is really relevant to the whole world in that, that it will be quickly aggregated and talked about and it will have waves as we see with other stories. So we obviously want to be inclusive, and so much of what we produce is. On the other hand, I think a reasonable price for a subscription

that adds value is a totally reasonable way to fund journalism we would not otherwise be able to fund, and that's exactly what we're seeing.

I mean it's made our publications much better to be able to add this this stream we can do niche stories that we just would not be able to do with an advertising model. So, I think as a business, you want to have as healthy and diverse a revenue base as you can.

Audience: So, really great talk, really great questions. My question for you Henry goes back to the slide you put up about well as long as we keep growing we're okay, but there are real physical practicalities to the number of people that exist in the world and for local places, the number of people that actually exist in a city or region, and so it seems like you've got a global growth plan, but what happens if you reach a point you can't keep growing, what do you do? What's your answer?

Henry Blodget: We have a new corporate parent as of three years ago. The first message was: "Henry, we love that you have grown with venture capitalists who give you this message like 'Henry, we have lots of money, spend more money, grow faster.' We do not think that way. We have EBITDA targets, you must be profitable in a reasonable amount of time." So we had a target the second half of last year that we had to reach profitability, we did, it's good. Now we are making a big case to invest heavily going forward because there's so much opportunity, but yes, we have plenty of opportunity. There's no worry about that. There are lots of different avenues that we can go into. I mean to your point on the local side, it's not inconceivable to me that eventually we would move into local journalism in a way, there are lots of economies of scale. We have an international model where we put a say a small team in Germany, they translate some of our stories and then they create some local stories and that has created a very nice business for us.

I could see us doing the same thing in Denver, for example, saying, we have a team in Denver, you can read the whole thing, but the Denver team is going to create Denver Insider and cover that. And so that there are ways that we could probably expand into that. But as a local publication that is going to just stay local, you've got to figure out what you can do with the resources there and going back to my running down to the store in the rain to get the paper, there is journalism that

people will pay for and local, that a national, or regional publication would never touch, and I just think it's incumbent upon the newsroom to figure out what it is and it's going to be different than what the local newspaper used to bring in.

Audience: Thank you. Okay. Can you hear me? Byrhonda Lyons from Cal Matters in Sacramento. You mentioned or you showed your page views. What do you use to measure the quality of the views? What metrics do you use to determine how long people stay on or what do you use to determine the quality?

Henry Blodget: I mean we look at a whole bunch of different things. I would say that one thing we do not pay very much attention to is time, and the reason we don't is that we actually think that part of the service we provide our audience is telling you what you need to know quickly and efficiently and getting you on your way. And I'll give you an example of that. A year or two ago we decided to put summary bullets at the top of all stories. We had a lot of journalists in the newsroom, they tend toward magazine writing long writing, they were gnashing their teeth at this, it's like "wait a minute, you tell me that you're just going to summarize the points in my story and I can't have my 600 word anecdotal lede before I get to the point?"

And it's like yeah we're telling you that because some people are going to say like "just tell me what I need to know," other people are gonna say, "I just want the pleasure of a 15-minute awesome read. I'm gonna go all the way through it" and we also found that bullets actually would draw people into a story, they'd say "oh I'm going to learn that important thing, great, I'll read it." Whereas before they were saying, like "I don't know what's in here, if it's important somebody else will aggregate it I'm gone." So, I don't actually think for certain kinds of journalism that time is the best metric.

We definitely look for our core audience visits per month, page views per month, page views per session, although even that, so much of what is consumed now is people coming in from Twitter, and coming in from Facebook and going back and the traditional mentality is, "Oh, but people should read publications cover to cover it should be like a newspaper. Anytime you read a single story that's bad."... Google has built the most valuable media and communications platform in the

world on the back of the idea that people will come some place to find something and then go somewhere else and then come back to it.

And so, a lot of our stories are built on the fact that people are going to see this on many different platforms they're going to come in for however long they want, and then they're going to go back, and then hopefully they'll see another thing that they want and come back in. So, the answer is it's hard to figure out the exact right measure, but we look at engagement, we look at sharing, we look at time, we look at page views, we look at all of these different things and ultimately you get a picture of it. And of course we check our email because journalism consumers are very vocal about what they like and don't like and they will tell you immediately and the world on Twitter what they think.

Mike Wilson: May I just follow up on my friend Nikki's question about the growth plan. I'm not sure I heard the total answer to the question of can you just keep growing.

Henry Blodget: I think we can just keep growing. I don't think it's going to be steady every year. Warren Buffett famously says he's like, "look there's this illusion that has been created on Wall Street that businesses are just supposed to grow by this certain percent every year and profits are supposed to always go up." We're gonna go through investment cycles like everybody else. We're exploring a new business. Subscriptions for example. It's a different economic model than advertising.

Netflix showed this to the world, where five or six years ago Netflix decided to spend a billion dollars plus on new content. Some analysts said "oh, she is never going to make money it's such a terrible idea, they're going bankrupt." What Netflix said was "you know if we create enough good content that everybody out there finds two or three things that they love they're going to keep subscribing, yes it's an investment now, but it's going to pay off for a lot of years, we'll own the stories."

It's the same for us with subscriptions. If we build a wonderful team covering the finance industry, which is what we have now, that's going to cost a lot today, but in

two-to-three years people in the finance industry hopefully will say “You know, Business Insider, every day, five or six times a day I’m on there and we now have a corporate subscription,” and so forth.

So, I see many, many avenues, but it's not going to be this wonderful chart that everybody likes to show.

Mike Wilson: I wish you well with it. Thank you so much for your thoughts. Appreciate it.

Henry Blodget: Thank you all very much.