

## ISOJ 2023: Day 1

### Keynote Session: *Journalism in the Era of Business Model Evolution: Imagining the End State*

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Chair: [Sewell Chan](#), editor-in-chief, **The Texas Tribune**

- Keynote speaker: [Jon Kelly](#), co-founder and editor-in-chief, **Puck**
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**Sewell Chan** Hi, everyone. I'm so glad to be here. I'm Sewell Chan, editor of the *Texas Tribune*. Welcome to Austin. Welcome to ISOJ, an event that I've been familiar with for about 15 years, and Rosental was a lot smaller when I last came here. I'm really privileged today to introduce and moderate a discussion with Jon Kelly, who is co-founder and editor in chief of *Puck*. Really, really innovative, nearly two-year-old...

**Jon Kelly** Yes, nearly two.

**Sewell Chan** ...publication that is doing really exciting things. I've known Jon for quite a while. We worked together at *The New York Times*. John's career has taken him from *Vanity Fair* to *Bloomberg*, *The New York Times* to private equity — which we'll talk about — *The Hive*, which is a *Vanity Fair* vertical, and now, of course, to this exciting new startup. So, Jon, I believe you have some opening remarks and a short slideshow.

**Jon Kelly** Yeah, thank you Sewell. It's a thrill to be up here with you. We were young one at 62 8th Avenue, and it's fun to be able to reconnect up here. I for better or worse... I tend to do these things extemporaneously, so I think that we'll try and make this a bit of a semi slideshow and then we can just jump right into the conversation.

The subject we're going to talk about today is one of my great fascinations, and as Sewell mentioned, it's something that I began to think about in my career in journalism, in my career in private equity — very brief career in private equity — and then career afterwards. sort of melding the two. I call it: *Journalism in the era of business model evolution: imagining the end state*. I'll just like put a little bit of context around that before we jump into these very brief slides. For a very long time and certainly the era that you and I came up in, the business models were set in our industry, in what I think of as news media. What you might think of as kind of level one — news media, newspapers, radio — these were strong independent ad and subscription-based businesses, and there wasn't a lot of room for innovation because everyone did really well and the organizations thrived and you didn't want to screw things up. In level two, which is the area that I came up in — magazines, affinity-based journalism, more niche oriented. It was really more about finding consumer packaged goods and similar advertising companies that wanted to reach really, really engaged audiences, and had absolutely no metrics to understand whether they were actually having an imprint in those audiences or not. Then there was an entirely different area: level three, which you can think of as news magazines and “20/20” and “60 Minutes” and that world. We'll get more into these over the couple of slides. But my point is it was set when we started our career, the job was don't screw it up. You began your career in

your twenties when you got out of school, and if you play by the rules, you get promoted every couple of years and maybe you'd end up in management if you did well enough.

**Sewell Chan** So it was about stewardship rather than innovation.

**Jon Kelly** It was absolutely. It was about stewardship. It was about managing a brand and doing good work. On the creative side and on the journalism side and the editorial side, it was about not even thinking about how the business worked because we were at a steady state in the business model evolution. All right. Before I flip the side, we all know that the last 15 or 20 years up into this in every way, and we look far afield at other industries and we see companies — revolutionary companies like Uber or Airbnb, just to name two off the top of my head, or Spotify, which you come up in a minute — we realized that actually it's the model that changed. It's what happens when you change the unit. When it's not about renting a car but renting a ride. When it's not about renting a hotel room but about using a room in your house. So in my journey in journalism and then investing and back again, it's really been about figuring out how do you find the right business model. Because if you find the right business model, then you're going to be able to actuate the change. One of the things that I'm most proud of as the co-founder of *Puck* is that my journalist colleagues and partners aren't just my friends and colleagues, they're actually equity holders in the business and they're incentivized upon success. If they drive subscribers to *Puck* or if they start a podcast with *Puck*, we compensate them out of the deals.

**Sewell Chan** And so your writers get both... Do they get a salary?

**Jon Kelly** They get a salary.

**Sewell Chan** And they get options?

**Jon Kelly** We try and pay a generous salary. They are option holders in the company. They have the same vesting clip that I do. So they're there they're you know they're growing their wealth in *Puck* over a four-year term, and then they're being incentivized to drive subscriptions. So for us this is our attempt at trying to figure out what the next iteration of the business model looks like, but I've given you a mouthful there, so let me move on.

I repeated myself a little bit here, but it's worth just digging in one more beat. When we started, it was an era of anti-innovation, I think. We're the same generation, so we were in those rooms and in those conversations. It's worth recalling, we work in an industry where you can't make mistakes. When you think about — I was reminded of this all the time when I was in investing... There's almost a larger consequence for making a small factual error in a news article than there is for making a \$4 billion deal that goes sideways. I'm serious. I think for a long time it held our industry back and it held the participants in our industry back from trying to figure out new ways to change things, because why would you change things when the system wasn't broken. Things don't break all at once. They break over a long time, and as a wise investor once told me, "Usually when you know, it's because you knew a couple of years ago." So I remember when I first started at *The Times*, Sewell, when we had that meeting where they kind of indoctrinate you. The first thing that they told us was that at that point, this is like 2011, *The Huffington Post* had already surpassed *The New York Times* in monthly active users just by basically regurgitating the articles and putting them on their platform with pithier headlines and a better social media presence. It was the apotheosis of a trend that had been happening for time, right? A lot of exogenous factors, but a lot of own goals also.

**Sewell Chan** I remember a management meeting in 2013 when Jonah Peretti was brought in as like the sage, and we were all like, okay, we've got to understand this new world.

**Jon Kelly** There were false prophets in this world, there's no doubt about that, but it started early. It started in the late nineties when Google went public and crawled our algorithm, and we made the original sin in journalism, which was we didn't require them to pay for it. Facebook and, to some extent, Craigslist took away... They offered specified targeted advertising and classified advertising that newspapers had platforms for generations, and they did it much more effectively and inexpensively. *The Huffington Post* came along with a whole generation, right? *BuzzFeed*, *Vox*, there are so many others; a lot of them aren't with us any longer.

In the process, they basically redefined the core of most newsrooms and news organizations, where it used to be about all the news that was fit to print, and then you lost that incentive and it was all the news humanly possible to publish. There wasn't a big enough hamster wheel in the world. That was the sort of heroine of the industry for half a decade. I remember again — not to play I remember when, the saddest game — of our time at *The Times*, but I remember being in the rooms with Ian when he would just throw it up on the wall and you'd say, "Wow. Does this really make sense? That like 7/8 of the traffic to *The New York Times* is about an Apple Day event where someone is unveiling a new Apple product and no one's reading anything else." The incentive, because we were then in a in a digital advertising era, was to just push the eyeballs where they were going to go. It wasn't to offer any of the curative aspects of being an editor, which is what we grew up with where we're like actually I think this is more important even if it's less popular. So we drank the Kool-Aid because we lost control of the business model. I put the... That's an attempt at the poop cruise. Then obviously 2016 and everything came after, which I think of a lot because I came out of the magazine industry, as Sewell recognized...

If you went to a newsstand in 2001, my God, you would know exactly what was *Vanity Fair* or *Ebony* or *InStyle* or *Entertainment Weekly*. These were distinct brands with distinct audiences. If you went to any of their URLs in 2016, all you would see were Trump stories, poop cruise, Malaysian Airline stories, "Game of Thrones" recaps, and that sort of leads me to my point that when we lost control of the business model in journalism — when we were just running from one model to the other — everyone lost their identity. You had this moment where by mashing too much food around the plate, almost you no longer had the meal. I think that brands truly lost who they were, and that's led to a obviously a painful period. But it's led to a flourishing and a real renewal in our space, as we now realize a couple of key learnings that have come out of the last decade and maybe decade and a half of business model agony. I listed them here, but I think I'm sure everyone in the room already knows them.

In many cases, new brands are replacing old brands. The loss of identity created an opportunity for new brands that new who they were to enter the world with a sort of dignity and self-respect. New formats were arising, I can't stand when people refer to us as a newsletter company. We publish newsletters. We'd be crazy not to. That's what people like to read these days. We publish podcasts. We publish articles in URL. We want to meet readers where they are. Another big thing, which I know is come up here to, individual journalists we're becoming as big as the institutions that they worked at. In some cases, there's been a healthy and unhealthy skepticism about institutions in our culture. I think this is actually only a partly related topic, which really is that individual journalists are

influencers. They are underpriced influencers who have extraordinary access to powerful information and platforms to disseminate it. It was a natural byproduct of the social media era that they were going to be pillars in their own right. We were beginning to see, through many other industries, the rise of new models that were going to make sense: subscription knowing your user, and direct to consumer, which was the sort of trend that had taken off in every industry, from politics to transportation to clothing and fashion has finally started to make its way to journalism. At the end of the day, that's been a real net positive because it means that we don't have to publish the stuff that we don't want to publish anymore. When I worked at *The Hive*, I felt my job was to publish... 20% of the stuff we publish was the stuff that I loved and thought was great. 80% was the stuff that just paid the bills and created traffic. So it's not a surprise that as we begin to see new models and new opportunities that you're seeing new brands. My brand is one of them. Substack is another great example, maybe part brand, part platform. *Axios*, and I think Sarah is coming here tomorrow, is a fantastic example and had an extraordinary exit last year. *The Information* is sort of the OG of this. They realized ten years before everyone else that on some level paying for journalism was the ultimate sign of trust and for us was just what we needed in the market. There are many, many others, and *Front Office Sports* is up there just because it's one that I tend to love. It's also exciting, Sewell mentioned Jonah Peretti, the CEO of *BuzzFeed*... It turns out that some of the big, big incumbents in this world actually learned the tricks of the trade before the new guys could beat them to the journalism. So when you see the primacy of *The Washington Post* and really the moat around *The New York Times* now, it's because they became *BuzzFeed* faster than *BuzzFeed* could become them, which is a sign that these models really are enduring.

As I've been able to think... Then I'll shut up and we can have our conversation. I'm sorry, getting a little long in the tooth here. But when we think about the model and the industry, I can't help but be reminded that we've been here before. What we're seeing now in online journalism is a simulacrum of what we saw in the record industry. It's a 20-odd-year journey. You and I were either in college or in short pants when Napster was founded, and it changed everything I remember. All of a sudden, being in my dorm room with a case logic filled with CDs and thinking, I don't need these ever again. I can play... I can rip whatever song I want on my Sony Vaio computer and play it. It transformed everything. There was a new unit — a new uni had changed from the album to the song. It was painful. Record companies went out of business. Everyone's sued everyone, and people thought the world was over. But it wasn't actually. It was just an early iteration in an early inning. A couple of years later, Apple introduced iTunes, which is the moment that the industry said, OK, you're going to pay for what you want and you're going to curate it yourself and you're going to love it and you're going to become comfortable repurchasing this new unit. Then that created this incredible decade where platforms and actual hardware devices were built around the idea of consumer choice. That this new business model had been created. The death of the album, or the semi-death of the album, wasn't the end of the world. It was just an opportunity for new artistic expression and new platforms. I think Spotify and YouTube reach their primacy as a whole new audience was able to connect with artists they would have never found before. There were new discovery mechanisms, and if you ask most people who didn't know the old world, who didn't have CDs or cassettes or eight tracks or whatever, they say, "This is great. We actually kind of like this." Towards the end of this period, Spotify goes public. You look at a snapshot of the global record industry now, it's the same size it was in 1999 more or less, give or take. We've reached the end state in the music industry. My hunch is that in our industry or around where they were in 2005.

**Sewell Chan** So that it opens up just so many great questions. End state could mean a couple of things. Is there a steady state possible when the only constant is disruption? Won't AI make it harder to get to stability? Will it be as disruptive as the Web and mobile were?

**Jon Kelly** I heard a provocative commentary the other day from a very smart investor friend who said that in some cases economically, Darwin got it wrong. That it's not a steady, gradual, quiet, unseen ascent from one model to the other. There's a sort of punctuated equilibrium where there's a change, a steady state, then a change, a steady state. I think the challenge is it's easy to mistake that in between steady state as an end state. If you look back at Spotify on that music industry chart, you realize there were a lot of moments where we thought, OK, maybe we're here, but there was still more evolution to go, but it goes in fits and starts. I mean, I guess it's a cosmic philosophical question to know what the end state is. But I think that industries do change in trajectories of often of 20 to 25 years, and we've undergone a period of extraordinary disruption that's gotten us to here. I think that when you look out to the future to what it looks — particularly in my part of media, which is sort of affinity-based things that used to be called magazines — you can see that we're really early in figuring out what it's going to look like. There are some glimmers of what the business models are going to look like, what the brands are going to look like and what the creative opportunities are going to look like. It's okay that we don't know the end. I don't think we're rushing for it.

**Sewell Chan** So, Jon, you're a very accomplished writer and editor. You chose to go into private equity. Why? And more importantly, what did you learn from it and how did that change your view of journalism and media?

**Jon Kelly** It was total brain surgery to me in the best possible way. As you mentioned, I had started a small business called *The Hive* at Condé Nast. It had some pretty quick success but it had success in the way a lot of media brands have success. There was buzz around it, but I knew that over the long term because it was largely ad-based with a very poor subscription component, and we were all big company employees who had compensation packages that were pretty standard, I could see the end of this before anybody else could. It was going to be longer and slower, but because I created it really painful for me. I realized it's not that my colleagues and I aren't doing good work, it's just that there are so many external factors that we can't control here. What if you published the best Gabe Sherman story of his life the same day as another country's invaded? What if the biggest publishers in the world change their algorithm and you can no longer disintermediate through their platforms? There are too many externalities without a core digital subscription business. I felt there were too many risks to take. Also I knew what I didn't know, I felt if I were going to do this again and try to figure out some of the bigger questions in our industry, I needed to have the aptitude of a real media operator. So I saw an opportunity to go work at a large company called TPG, which is a private equity company, a public company. I went in there with open arms saying, "Please, please help me. Tell me what I don't know." I was very uncomfortable early on because I was the only person like me in every room. Nobody came from my kind of background; these were deal people. Being uncomfortable in that environment was fabulous because it forced me to second-guess myself in a lot of ways. I was actually surprised to find out that there were some instincts that I came in with that I left even more convinced of. But oh my God, there was a lot that I learned and I wouldn't be here without it.

**Sewell Chan** So *Puck*, among other things, has become indispensable to a lot of people, especially in the spheres that you really cover excellently. That includes, of course, Silicon

Valley, Hollywood, Wall Street, Washington, and the media itself. How did you select these areas? And do you see yourself deepening in these kinds of verticals, or do you also see eventually kind of broadening and doing kind of other spheres of economic and social life?

**Jon Kelly** Well, thank you for the compliment. I take it deeply to heart. Our initial premise was that, as you scale those industries to the top, it's really one world. Then actually an extraordinary amount of power in our culture is operated by an extraordinarily small number of people, and that actually they're under-covered. I think that their motivations, their incentives, their anxieties... There's an inside conversation that takes place that most news organizations aren't incentivized to cover because maybe only a small number of people really, really care about it. I actually felt like when I was that when I was in private equity, that...

**Sewell Chan** But a small number of people with very focused interests.

**Jon Kelly** Yes. A small group with focused interests, and I think also who are likely to be curious about other areas that are covered in a way that give them some sort of edge. Now I think that we've certainly taken some fair criticism that could be construed as elitism. I tend to try and turn the telescope around on that and say that for a very fair price point, I think we offer anyone, who can pay \$100 a year, a chance to really see how it really works on the inside. What's funny about that, oddly, it's a virtuous cycle because the people we cover immediately became our initial subscribers and we became clubby with them in a funny way. We could break down the fourth wall, and they became our focus group and our feedback loop. It was really, really powerful because they were paying attention to the work *Puck* did in a way that they wouldn't pay attention to a large publisher where it's hard to have that touch point.

**Sewell Chan** Yeah, that's really interesting. Let's stay on the word elitism for a moment. The *Puck* says that, among other things, you kind of connect elite journalists to their audience. Sure. How does that make you different from Substack?

**Jon Kelly** A couple of things. I think that Substack is a fantastic platform and a fantastic tool, and I think it's the answer for some people. But I also think that in our view, elite journalists are influencers. I'm very vocal about that. They have remarkable information gathering capacities, they have incredible networks, and they, usually, as a result of those two things, have large social footprints to disseminate information. So they're really, really valuable. I say all the time about our guys... Dylan Byers is our ace media reporter; he could be a journalist, or he could be an M&A banker at Goldman Sachs. He's in the same information flow as those guys. In some cases we have journalists who have actually been on the other side and practiced the trade that they now cover.

What's different is we also think that journalism is a team sport, too. I think that you don't need teams as large as he once believed you did, because we're not playing a scale game here. I think that it's more atomic now than it used to be, but bundling... In fact, actually Substack is now beginning to bundle writers together. I think they probably see how that's been successful for us and other companies. We have a ton of data and a ton of conviction that somebody who may come for Matt Belloni, our incredible Hollywood writer, will then be interested in Dylan and then be interested in someone else. We felt we were doing something different, and we were stronger together, and that was why we picked this path.

**Sewell Chan** Well, how do you balance the individual in the collective? Because in a way, you would take a certain kind of individual who doesn't want their own Substack but does want to be part of this kind of very accomplished, interesting club and is willing to work at a team and obviously have economic incentives to do so. But are you worried that some of them will become too big and then like become bigger than the brand itself?

**Jon Kelly** You'd be a good investor, Sewell.

**Sewell Chan** No one's ever told me that.

**Jon Kelly** Well, it's a question that I've heard before. I think there are a couple of things here. Being stronger together, I think actually aligns economic motives and allows everyone to do better in all the sort of obvious ways you support somebody else's work; you create more value. A membership to *Puck* is much more valuable by adding another valuable journalist, and there's support there. I think that Substack is a perfect place for a certain kind of talent, but I think that actually for people... A lot of my teammates are in our generation where they saw the best of the old world and they see the best of the new world, and they wanted something that was in between. They wanted to have real intense, editing and support and great design and marketing team and copy editors and payroll and...

**Sewell Chan** Which is not Substack, frankly.

**Jon Kelly** Yeah, those are usually do it yourself operations. But they also wanted the opportunity to not have to speak in institutional voice and to be able to be themselves in many cases. So, we felt that, and we talked it a couple of slides ago, that as brands lost their identities, there was really a barbell in the kind of journalism that I was doing on the one hand. Places like *The Times* or *The Washington Post* or *CNN*, who had figured it out right? They figured out and they were safe and stable again, and then on the other side of the of this barbell were...

**Sewell Chan** Well, neither *CNN* nor *The Washington Post* is fully out of the woods yet.

**Jon Kelly** Yeah, that's true. I think certainly not when it comes to intrigue and personal murmuring, as *Puck* readers know well, but *CNN* is still profitable. I think it makes \$70 million a year in profit, and *The Washington Post* is materially better off than when the family sold it to Bezos. But in the middle, the options that many journalists felt weren't there where they used to be. Traditional magazines had become web properties that were in many cases losing their identity. We saw that as an opportunity to come in and say, let's give you the best of what the magazine used to offer: a ton of creative freedom and a ton of support.

**Sewell Chan** So what are the implications of *Puck's* experience for mass media? I'm not saying you're not mass media, but you're not niche. I mean, it's not like a magazine for stamp collectors. But you go deep in these kind of very powerful and important areas of our society where a lot of power is wielded. I actually think something you say is really interesting that in a way, you're democratizing the kind of insider knowledge that a corporate executive would be able to get from business intelligence or that someone in Hollywood would get from the trade press there. What does it mean for journalists who aren't elite, to be honest? I don't mean that in a normative way, but I mean if you're covering state government, like we are, or if you're doing community news or stuff that's

harder to scale and harder to kind of monetize... Civic news, for example. Are there implications for that?

**Jon Kelly** I'm glad you asked that because two things immediately come to mind. First, there are going to be a lot of winners in this new era that we're in now — in this post Apple Music moment where people have re-acclimated themselves with the extraordinary value in journalism. I think everything that you mentioned, and this actually dovetails with the point that was made in the previous panel, there's so much more opportunity in these kinds of journalism that you refer to. Some are niche, some are civic-minded, and many are local and incredibly important because there's a model to support them, now. For a long time, that kind of journalism existed because of a local advertising model, right?

**Sewell Chan** A local advertising monopoly, which is gone.

**Jon Kelly** Right. Which is gone and was controlled by two families, and it was never a healthy business, as it seemed from the outside. Then those companies moved their spins to Facebook and etc., etc.. I believe firmly that the subscription/community/contribution models are absolutely going to be the answers to that kind of journalism. Right now — I can tell you from having been in a number of these rooms and this is what was brought up specifically in the previous panel — there is extraordinary capital ready to be put to work to figure out how to do this. I think that for a number of reasons investor hasn't been fully matched yet with opportunity. I think part of that is because there's a language divide between how these two groups talk, particularly on the local and civic level. There is an absolute belief at the capital threshold that the pendulum swings back; these systems that worked will work again. They're just going to work with new business models. Some risk is going to be required to figure that out, but I think that what you're talking about, these are things that people desperately care about in some cases. You mentioned... I mean having been in Austin for a couple of days, I've been thinking about this because we're in a state government and people need information about what goes on inside those walls to do their job. That's information worth paying for, and that's incredibly valuable. There is an incredible value if there are journalists who are wired in that world to be able to provide that information, frankly, in a format that's different than what we used to expect from the sort of business intelligence you mentioned before. Maybe newsletters makes sense for that? Maybe podcasting?

We have a whole feature at *Puck* where we do private conference calls. You can pay for a tier of membership where you can get on the phone with our journalists and do one on one calls because that's maybe the way that you prefer to have your information conveyed. I think all these things are there. I think the technology has caught up to it. We just have to really support that connection between capital and entrepreneur.

**Sewell Chan** So I invite folks to come up to either microphone to ask questions, and of course, our online participants are welcome to submit questions as well. Jon, one more question for me. When we were talking in preparation for this panel, I mentioned companies like Semaphore and Axios that also had investment seed money. You talked about them really more as kind of enriching the space, not as direct competitors. Can you elaborate on how you see things that way?

**Jon Kelly** Oh, happily, and I couldn't say that more forthrightly. We've learned a lot of lessons from what I think about as Web 2.0, the kind of *BuzzFeed* box era which was a really contested competitive era of digital media and online journalism. One of the things that I think I learned the most was this is not a winner takes all market. We are in a winner



take some market. There are going to be a lot of winners in this new era that we're in. So when we see new entrants, we realize that it's a net good for all of us. First of all, it means that somebody else is giving it a shot and they have the guts to do it, which is important because we do come from a nonentrepreneurial industry for all the reasons we outlined before where risk is not always rewarded.

**Sewell Chan** So different new market entrants actually signal that yes this is a field worthy of investment in and innovation.

**Jon Kelly** Absolutely. Great minds and capital being put to work, there are financial benefits that come from that too, but also we learn from each other. I have direct dialogs with everyone who's in a similar position that I'm in and all those companies because we want to share the information because we realize that actually, it's going to benefit all of us. We all do things that are a little bit differently. There are overlaps. Particularly in what I pedagogically referred to as tier two media, but affinity media, that when we were kids, our parents had seven or eight magazines on the table. *Road and Track*, *Sports Illustrated*, whatever. It's not winner takes all. We're all here to help each other, and I think that attitude actually, which exists in a lot of other industries, dawned late on journalism because it is often a sharp-elbowed craft.

**Sewell Chan** Yep, and risk-averse.

**Audience Member** Hi. So I wanted to ask you about *Polk's* duty of care. So how do you ensure the well-being and the mental health of the journalists and the contributors that work for you?

**Jon Kelly** Sure. Good question. We have unlimited paid time off. We view our company as a partnership. That was really important to me from the get-go. I actually one of things I learned from my brief foray in the business world was that partnership, it's not just a talking point, it really means something. When you can't actually make a business decision without bringing in a consensus of people who also support it, it helps the company and it helps make people feel really bought in. That's sort of an indirect answer. But we're building a start-up, so people do work hard; they work long hours.

**Sewell Chan** So you do you have some traditional employees?

**Jon Kelly** Oh, of course. Yeah, we have 27 or 28 employees, starting with...

**Sewell Chan** But the principals, including your best-known writers, have equity?

**Jon Kelly** Yeah, everyone has equity.

**Sewell Chan** All the 28 do?

**Jon Kelly** Yeah, everyone, all 27; 28 on Monday. Be generous with benefits, it matters. Be generous with paid time off. Be generous with other help. We were a company that started in the pandemic. My partners and I raised capital when, in the most uncertain days. I got my first term sheet the day that Tom Hanks announced he had COVID. We were very sympathetic to that, and we muddle through it doing zooms in our kid's bedrooms. We realized that journalism is not a 9 to 5 job. You guys all know that. You're exchanging text with your editors and your sources at all hours, and running out of kids birthday parties to be responsive or tweet something. If that's the mandate, then you've got to be extremely

generous, and I think that that means different things to different people. But you know it when you see it. You got to be really, really good to people.

**Sewell Chan** Thank you. Next question, please.

**Christopher Guest** Hi. Christopher Guest. In your history of sort of the modern era of the destruction of journalism, you seem to put the onus pretty squarely on the tech companies, especially Google, Facebook, Craigslist, etc.. I'm wondering, especially given your employment history, your thoughts on the consolidation by private equity and some would say the destruction of a lot of local news to just push the additional monetization of local and small news well beyond what they could ever actually afford in themselves.

**Jon Kelly** Good question. There are a lot of factors in what's happened for the last 20 years. I think a lot of them are macroeconomic, some are avoidable, some are not. If Facebook or Google had not come along, I think similar companies would have that were able to find opportunities to make themselves really attractive to digital advertisers. I think that your point about the local papers and the hedge fund industry is certainly a point well taken. There is a really well-documented history of hedge funds. I think Alden Capital is one that comes to people's mind the most, and that really saw in this business a tear-down investment thesis where they were able to do what is a terrible investing term but extract. They were able to extract value basically by taking assets, figuring out what the real estate values were working out, what the human values were, finding ways to put them together. So I don't mean to minimize any of that; that's all real. Not to turn around, but just to give you a totally on-the-level answer, I get it. I've worked at a lot of big companies where I was in rooms with executives that I didn't know what their ulterior motives were either. Our partnership comes from the fact that we felt, particularly on the creative side of the business, if we didn't do this, they weren't going to do it for us. So we had to come together at a certain point in our career and say, Hey, we want to build a company. We want to do it together. We want to share in the upside together. We want to be able to ensure — to your point Sewell — about the bundle of talent to make sure that when Julia Loffe does well, it helps Teddy Slater do well and vice versa.

**Sewell Chan** It's kind of journalists taking control.

**Jon Kelly** We totally viewed it that way. We did not want to have to relive that movie because you make an excellent point, and I didn't mean to minimize it anyway.

**Sewell Chan** Thank you. One question from an online participant: do you think there is a newsletter fatigue? There are so many.

**Jon Kelly** Sure. Oh, of course there is. Again, I bristle at that word just because there are many, many different sorts of genres of newsletter. There is newsletter fatigue in the way that there is "Floribama Shore" show fatigue or "Real Housewives" fatigue or true crime fatigue or back in the day magazine spin-off fatigue, and in the way that up until very recently, there was podcast fatigue. When a format works, media executives tend to jump at it. There's very little barrier to entry into newsletter. But that said, the people who do it really, really well, and I think there's a panel about this tomorrow... The people who do it really well find that it is so rewarding. One detail I should have mentioned before is that we send via email any article that you want to sign up for if you're subscriber. I know from the point of view of our journalists, it's the most fulfilling part of their job because they get direct immediate feedback from their readers. I send an e-mail newsletter myself, or what we call private emails, every Saturday. Actually, I just wrote it in my hotel room. It goes out

to a couple hundred thousand people. I get hundreds of responses every Saturday, some of whom say, "please unsubscribe me", but many of whom have really constructive thoughts about what we're trying to build here.

**Sewell Chan** It's direct relationship.

**Jon Kelly** It totally is, and it's amazing.

**Sewell Chan** Okay, a couple more questions. Next, please.

**Jay Rosen** Hi, I'm Jay Rosen from NYU.

**Jon Kelly** Oh, hey. I know you from Twitter.

**Jay Rosen** I've been a subscriber to *Puck* since the beginning. I'm very interested in it as a product, and the question that I wanted to ask you is about the news opinion distinction, because when I'm reading one of your writers, like, Will... Your financial writer?

**Jon Kelly** Yeah, Cohan.

**Jay Rosen** Will Cohan. He's sort of taking me on a trip in which he's discovered a lot of things and he's using his knowledge from his background and he's explaining things to me. Then he's also giving his view on it, like this is total bullshit, for example, which would not be unusual at all as a sentence in his writing. So from my point of view, as an academic, looking at the kind of journalism that is being published, there's actually no distinction whatsoever between news and opinion in this formula. So my question is, was this part of the concept from the beginning, or is this just an artifact of letting the writers do their thing?

**Jon Kelly** Thanks so much. That's a great question. Actually, if you want to talk more, I'm around and I'd love to get your views on it. Our very intentional feeling was that certainly no one just writes. I mean, the editing at *Puck* is as significant as any place I've worked just because the writers demanded, and we want to offer it and makes the product feel cohesive. But actually, I often felt that it was a weakness of other places I'd work, that you had to go somewhere for the hard news and somewhere for the opinion. We believe that journalists are domain experts and that their journalism is one of the arrows in their quiver, so to speak. So we actively encouraged from conception our journalists to write what they report, write what they know, and write what they think. Not just because I think it's the best form of communication, but I think it's the most accurate and I think it's often the most connective.

**Sewell Chan** But this isn't totally new, right? Because *Vanity Fair* or *The New Yorker* don't distinguish traditionally between use and opinion, and it's kind of more the magazine world. I mean, it's more the newspaper world that has tried to establish those boundaries.

**Jon Kelly** I feel incredibly comfortable doing this. Certainly, we would never publish anything that we intended to be just unnecessarily provocative. I guess I look at it differently and I'm totally open to those who disagree with me on this, but I believe that why would you ever deprive the reasoning and intellectual and theorizing skills of fantastic reporters to make their points? I think it would be as unwise as depriving them of the skills of their literacy and rhetoric.

**Sewell Chan** Would I be correct in saying, you don't publish polemic, but you do publish perspective and analysis?

**Jon Kelly** Oh, totally.

**Sewell Chan** But a kind of grounded authority.

**Jon Kelly** And to Jay's point, which was totally a great, valid point. Will Cohan, the writer he mentions, was an M&A banker for 20 years on Wall Street at Lazard and JP Morgan pre-Chase merger. So we actually view it as he's quite literally a domain expert who can cover the art of M&A deal-making, both as a journalist and as someone who's actually been in the room themselves. Actually, that's one of my values as an editor now, too.

**Sewell Chan** Next question, please.

**Rodney Gibbs** Hi, I'm Rodney Gibbs with AJC. I'm curious about that you offer the off the record conversations as a membership perk. How do you balance offering that without at least having the optics of your selling access? I think about some of the hot water *The Washington Post* got in with its dinners several years ago, or *The Atlantic* I think they had these salon events or dinners.

**Jon Kelly** Great question. We do as a feature of our inner circle membership, which is our highest priced membership point, offer that connection point with the journalists. A couple things immediately come to mind on this. One, I think that you're referring to the Marcus Brauchli era/Lally Weymouth era salons. I think they charged \$75,000 for. The industry has actually changed a lot since that happened. I think that many media companies now view that kind of ideation session, whatever you want to call it, as a sort of marketable sales tool. I think that it's a totally valid one actually, as long as no one's doing anything inappropriate. There usually are pretty strict ethical guidelines around it. Our inner circle calls to me are a totally kosher next level of relationship with the writers. Without sounding hackneyed, I swear to God...

**Sewell Chan** Are they off the record?

**Jon Kelly** They're off the record. Without sounding hackneyed, we believe in farm to table journalism. I don't think it's enough to be able to just go to a restaurant and order the chicken. You want to know if it's Lancaster County Chicken from some Amish farm and you want that chef to come to the table and introduce himself also. I believe that's true with journalism as well, that you don't just want to... You could just want to read a Dylan Byers story, but to have the chance to actually connect with Dylan and talk to him in a setting that's comfortable for both of you where there's no exchange that's improper. I think that's breaking down the fourth wall and we feel comfortable with it.

**Sewell Chan** Last question, please.

**Vivian Wu** Hi. Vivian Wu. I'm running a new start-up. So all of your conversation is very relevant, actually. Two questions for both of you. First, Jon, you are creating... Is this community or just an elite club because I'm struggling with those two concepts. Community is about you encouraging people to participate as part of the community, but you mentioned the elite club. But the thing is, all of your contributors and writers, they made their brands and they made their names due to their relationship or their achievement with the institutions. But now you're saying we're not building the institution.

So it might be elite club, but their reputation is built on their relationship with the institution. So what's your... Have you started thinking about this or do you have any plans to extend this pool of creators?

Second question is that: do you want to talk about your financial situation? How long is your runway? Are you making money or what's your capital plan?

Another question for a Sewell, actually. I'm trying to create this community. I'm trying to aggregate a bunch of senior reporters and veteran journalists specifically from China, Chinese language community, which is struggling. None of this conference has any mention of this. But do you have any tips or advice for me to specifically help with a group of community that are suffering specific issues, but they need to extend their knowledge to the global audience?

**Sewell Chan** Thank you so much. I'll find you afterward to discuss the last question.

**Jon Kelly** I'll go fast. I know we're on the clock here. So let me offer three very practical answers. There is a Venn diagram that overlaps significantly between community and club. I think it depends a lot on the back and forth between the members of the community and how much access they have, message boards, connectivity, what their expectations are... I think also price plays a part in that, too. When the price accelerates, I think your expectations accelerate as a community member. So those are important things to think about.

We're a startup two years in, so we're not attempting to be profitable. This is all public information you can find with the SCC. We raised \$7 million, and we've got two fantastic investors — TPG, where I used to work, and Standard Investments. We're thrilled with them and where we are. I think that taking money from outside capital is something that scares people and it shouldn't, it's important. Just one quick last thing. I think your idea sounds great. If I could offer any advice for having just been like on this rodeo, start really small. Really, really, really, really small and get it right. You don't want to spend money, realize you made mistakes and have to make drastic changes.

**Sewell Chan** Jon, one final question because we're in a university and this is from a student. This is from a student about to obtain a college degree in journalism, should they be focusing on their education or incorporating traditional media skills? Or trying to implement their own businesses and create their own businesses? Considering the current digital context.

**Jon Kahn** I will answer that. I'm curious to what you did when you were a 22-year-old kid. The best advice I ever got in my life... I didn't go to journalism school. I worked at the school paper. But I was told early on, find someone who you admire and be as useful to them as humanly possible and you'll learn a trade. I think that sure this sounds like a very smart young person who wants to ace the test and know everything about everything and all the new platforms and all the media... Find someone great, get as close to them as possible, and soak it up. For me, that made all the difference in the world.

**Sewell Chan** Jon Kelly, *Puck*, thank you.

**Jon Kelly** Thanks, guys.