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TELEVISION IS THE NEW TELEVISION

THE UNEXPECTED TRIUMPH OF OLD MEDIA IN THE DIGITAL AGE

MICHAEL WOLFF

PORTFOLIO / PENGUIN

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PROLOGUE

THE STORY. THE MUSIC. THE LAUGHS.

On November 14, 2007, Kevin Morris, a forty-four-year-old entertainment lawyer, given to penumbral debates about modern culture and the state of media, and with a roster of major Hollywood clients, convened a daylong meeting in his law firm's Los Angeles offices in the Creative Artists Agency building on the Avenue of the Stars.

A year after Google bought YouTube, Morris was wrestling with the increasingly fraught relationship between the traditional media business, which almost all of his clients were part of, and the new, aggressive posture of digital media, located 350 miles north, and a world away, in Silicon Valley. Morris, aware as everybody was of what had happened to the music industry, saw this as something of an emergency moment.

At the same time, Morris felt that logically both sides had a set of common interests, and in the end certainly needed a working understanding.

His collegial idea was to assemble interested players on both sides to discuss this shared ground, because, as he said optimistically in his invitation: "It's about the story. It's about the music. It's about the laughs."

On the old media side, you had Brad Grey, the chairman of Paramount Pictures and producer of *The Sopranos*; Doug Herzog, who had variously run Comedy Central, MTV, and Fox Television; Kevin Reilly, a senior executive at NBC and Fox; Anthony Zuiker, the creator of *CSI*; Matt Stone, the cocreator and coproducer of *South Park*; LL Cool J, the actor and rapper; Michael Mann, the film director; Donny Deutsch, the advertising executive and CNBC personality; and Scarlett Johansson, John Cusack, and Matthew McConaughey, the actors.

No matter how successful—perhaps as a particular result of their success—each reflected the anxieties of an industry that was ever more frequently being told it was threatened on all fronts and, culturally speaking, totally yesterday.

On the digital side, you had a less august but significantly more cocky group: Jordon Hoffner of YouTube; Kurt Abrahamsen and Adam Stewart from Google in Los Angeles (the home office had passed on the invitation); Mark Kvamme of the venture capital firm Sequoia Capital, which had backed the Web series *Funny or Die*; and Marc Andreessen, the creator of Netscape, on his way to being among the most significant and influential venture capital figures in Silicon Valley

The imbalance was notable and uncomfortable for everyone—

or at least for everyone on the old media side. There was, even, a kind of slack-jawed response—perhaps not least of all because Hollywood power is not used to being challenged—to the certainty, impatience, and what rather seemed like the advanced intelligence of the tech side. Very quickly it all seemed something like a math class mixing slow students with advanced ones.

Morris began the day gamely recalling his college economics and Joseph Schumpeter and creative destruction and the need to come to terms with how great transformations happen—how to manage destruction. He drew a triangle on a whiteboard, with one point for tech, one point for talent, one point for media companies. We are all in this together, he said confidently.

When that did not get an obvious assent, he changed it into a kind of exhortation: "Are we all in this together?"

"Well, that depends," responded Andreessen finally.

The technology view was in fact quite the opposite of dependence or cooperation or much meeting of the minds. It was rather that the new digital media world had unlocked media secrets: user-generated content, and new types of functionality, and a view of media that embraced remarkable new efficiency and could now only look at the traditional media discipline as hopelessly inefficient.

Kvamme, sure that *Funny or Die* would trump in its over-the-top distribution and bare-bones economics the $2-million-an-episode *South Park* with its cumbersome and costly Viacom–Comedy Central relationship (the *South Park* creators had just negotiated a 50/50 deal to split digital profits with Viacom, which had committed to handling advertising), got up and went to the whiteboard and brusquely erased "media companies" on the triangle, replacing it with just "consumer"—emphasizing this new, disintermediated world.

The Google guys were even more direct, pointing out, with some impatience, that there was quite some lack of understanding in the room about the nature of the revolution that was under way.

It was Andreessen, whose word alone would come nearly to have the power to create tech success, who was perhaps most daunting and in the end most frightening—signaling how far apart the two sides were, and how precarious the television business suddenly seemed. Andreessen's lack of regard seemed all the more confounding because he kept expressing his own personal enthusiasm for television, telling everyone what was on his list to watch in the coming weeks. And yet that sentiment was divorced from the future as he saw it and as he described the complicated new terms and relationships in a world of digital media.

Finally, to what had become from Morris a kind of plea—"Are we in this together?"—Andreessen replied, "Excuse me. We are against each other. This is a zero-sum game."

"We all wanted to run away," recalled Matt Stone in 2014.

A funny thing happened over the intervening years, though. A strange schism developed. While everywhere there was the belief, near absolute, that the future of media lay with some ever-transforming technology, twenty years into this revolution, the value of traditional media, even with big losses in print and music, dramatically grew, with an Ernst & Young study in 2014 finding traditional media and entertainment companies increasing "their lead as one of the most profitable industries," with television margins as high as almost 50 percent.

And yet, at the same time, there was the unquestioned certainty that technology had fundamentally altered media behavior and scale—Mark Zuckerberg would say in late 2014 that you can't really build a business with fewer than a billion users—and hence the nature of media leadership and economics.

In fact, Matt Stone's *South Park*, continuing its remarkable seventeen-year run on Comedy Central, recently made a $30 million yearly digital deal with Hulu, while *Funny or Die* languished.

Despite all this, the belief continues, cultlike, that digital media will soon and decisively prevail.

1

BLINDED BY THE NEW

It's not hard to make a case for the new—and for overthrowing the old. There is, for instance, quite obviously, irresistibly really, that totem of the old media establishment, the fair-haired boy of traditionalism, CBS chairman and CEO Les Moonves, with his singular passion and talent for old-fashioned American television, no matter that it seemed otherwise consigned to the dust heap.

Moonves, preserved in amber, seemed all the more galling for not understanding, or certainly not seeming to care about, his throwback status. Moonves and people like him, self-satisfied, overpaid ($67 million in 2013 for Moonves), top-down managers, whose very existence seemed to define why things stayed the same, provided both a rationale of why things needed to change, and an aesthetic counterpoint, in his meticulous suits, to what a thinking, feeling, progressive media person wanted to be (T-shirt and open-plan office). Moonves was Hollywood and show business, as hoary as the Borscht Belt.

Brian Roberts, the Comcast scion, was even more sinister and harder to understand—hard at least to understand why he would get any satisfaction from what he did, or how he could justify his retro place in a changing world. He ran a cable company—that is, bad technology about to be overwhelmed by new technology, dependent not on innovation but on backroom deals, not on giving a customer as good an experience as possible, but on giving them as mean and stingy an experience as they would tolerate.

These emperors with no clothes, their riches as ironical as they might be yet plentiful, ran an industry that, if not yet dying, deserved to die.

And the amount of money pouring into the new, no matter that it was purely speculative money, seemed to provide a blindingly clear argument for which side to root for.

Without proof that a new entertainment or news business, publishing or broadcast, would or could emerge, something close to revolutionary conviction swept through the media industry: the new was certain and inevitable.

In many ways, this story of transformation and redemption was enabled by the new medium itself—the ability to advocate for the primacy of a new media was as potent a function of the new media as the ability, at an ebullient, if illusory, moment in 2011, to argue for a new Egypt. The new media reflected the passions and righteousness of the users of new media. In this, an entire subset of journalists, as specialized as political journalists but with an even more pronounced and accepted bias, came into being: technology journalists whose very jobs and identity were hitched to proselytizing for technology.

Jeff Jarvis, a Time Inc. editorial bureaucrat who had helped found the magazine *Entertainment Weekly*, but had been jettisoned from the company not least of all for his intractable views (not just about new media, but about everything), emerged as a new media disciple—fierce, knowing, righteous, implacable, indefatigable, and convincing (anyway, he wouldn't stop until you gave up arguing). Kara Swisher, a former *Washington Post* journalist living in San Francisco—enmeshed in the technology business culture, including having a partner who worked as a senior Google executive—became a tech propagandist and personal power center through a column in *The Wall Street Journal* and then with a *Journal*-sponsored conference.

The hierarchical media business was, arguably, disrupted not so much by new technologies as by those lower down on the media ladder suddenly being able to push up by seeming to be more farsighted, more quick-witted, more knowing, more adventurous. The economic power might still reside with the old, but who would not choose foresight over temporary riches?

Ken Lerer, for example, Michael Milken's PR man in the 1980s, and one of the most astute media players (and, subsequently, tech players), went to AOL as its PR chief, helping to create an extraordinary public profile for the company, one that formally turned tech into media. That in turn led to Time Warner's disastrous merger with AOL, among other results, cementing the impression that technology-led media companies were a thing apart from old-fashioned entertainment and journalism media companies. After that, the prescient Lerer went on to team with Arianna Huffington, a media figure of indefatigable energy and canny opportunism, and together they built *The Huffington Post*, which, in almost no time at all, grew into one of the country's major news outlets—with an audience bigger than that of *The New York Times* and CNN. Lerer, following the sale of *The Huffington Post* to, in an ever more incestuous world, AOL, went on to start *BuzzFeed*, the next benchmark of media traffic growth, which, as an indication of old media discomfort with itself, becomes one of the main points of reference for Jeff Zucker—quite as much a television and old media character as Moonves—when he takes over CNN, announcing to the CNN staff that *BuzzFeed* is where his son gets all his news. (The teenage children of media executives became the era's go-to consultants.)

In many ways, the case for a new medium, run by new people, with new techniques and new motivations and, implicitly, a new message, became one of the major journalistic stories of the time—albeit one of insiders talking to insiders.

There was simply no argument: a vast and successful industry, based on deeply ingrained consumer behavior, long business relationships, and an entrenched power structure, was, inevitably and quickly, going to be transformed. And its leadership would be assumed by an entirely new group of people whose important credentials included little or no experience with media as it had been. This was industrial transformation on the level of buggy giving way to automobile. That kind of sweeping language and apocalyptic view helped create a consensus opinion not only among the new group, but, in short order, among much of the old group as well.

Everybody except the hoariest of the old—like Moonves—believed.

There was, notably, *The New York Times*. It began to propound

a clear thesis and strategy: it would gradually relinquish its attachment to print and become a digital version of itself. That is, one of the nation's most influential media outlets, perhaps having its greatest influence among media people, had wholly bought the argument about the certainty and necessity of industrial transformation in its business and was remaking its own future around it. This, despite the fact that almost 80 percent of the company's revenue, even in 2014, continued to derive from the print version. It had given up most efforts to protect its shrinking but profitable business, in favor of a new business a fraction of the size, on the hope and dream that—even absent any such successful demonstrations of this strategy anywhere in the newspaper business—it would one day grow to a level that might support its costs. *The Guardian* in London, suddenly competing with *The New York Times* in this new profitless space (hence a new sort of competition: who could dig the deeper hole), made this something more than a perplexing business choice; it made it a moral one. Forward-thinking journalism, journalism that could express the ever more democratic inspirations of the age, was digital. (Curiously, *The Guardian*'s first foray into digital media was as *Wired* magazine's partner in a UK launch, which ended in tears because *Wired*'s founders thought the *Guardian* leadership was too stuck in the past, making the defensive *Guardian* people all the more determined to prove that they weren't!)

Fundamentally it's a generational argument, as so often happens in media. The old folks die, the young take over. Don't they? You really don't have to prove anything, other than that the old get ever older and then die (pay no attention to the fact that the young get older too).

The problem with this story is that none of it is true. The closer the new media future gets, the further away victory appears.

This is a book about what happens when the smartest people in the room decide something is inevitable, and yet it doesn't come to pass. Omens have been misread, tea leaves misinterpreted. Not only has the Web not destroyed TV, but the source of new media's strength—attracting ever more traffic, truly phenomenal traffic—may in fact become its greatest weakness.

These manifestos and venture financing rounds are based on a set of assumptions that were wrong from the start, and compounded as each year passes. The consequences of this folly are far-reaching for anyone who cares about good journalism, enjoys bingeing on Netflix, deals with advertising through their job, or plans to have a role in the future of the Internet.

What we need is a better, more honest guide to the changing media landscape, one based on a clear understanding of who makes money, and how.

2

THE LOGICAL OUTCOME

Few innovations have been as unclear in what they would become and what they could offer and yet been greeted with as much certainty and enthusiasm as digital media. In fact, what media was going to become as a digital form—information and entertainment bought and packaged and delivered to an audience—happened to be, in the most cautionary terms, a lot like Yahoo.

Not only has Yahoo wrestled for the better part of two decades with how to make money, but, going to the heart of the problem, it has, trying countless strategies, failed to engage its users in a relationship that is very valuable.

Within a few years of its launch in the early 1990s, Yahoo had already lost much of its technological reason for being. Although it had won the first round of the search engine wars (or portal wars against Excite, Lycos, and others), it lost the more important showdown to Google, and, in fact, shortly hired Google to provide its central search function (now provided by Microsoft). Nor was Yahoo able to compete in the new ad network and search-word bidding systems in which Google was the leader (here, too, it tried to outsource to Google).

Still, its early dominant Web position left it, even now, as one of the five busiest sites on the Web.

The good news, it had an audience. Yahoo was an early demonstration of Web traffic as a structural condition—once the Web beats a path to your door, people keep taking it. The bad news, other than offering specific functionality (e-mail, chat, stock quotes), which other sites were doing as well or better, it had nothing to give its audience. It was quite a bad dream scenario: an audience, a stage, and only a tongue-tied techie on it.

With no products to sell, and no hope of charging for memberships or subscriptions, Yahoo had only ad revenue as a viable source of income.

Yahoo's desperate search for more eyeballs became the first leap by a technology company—an enterprise dedicated to executing specific functions—into the new notion of monetizing an audience by any means possible. Media by any other name, but in a sense even more basic. After all, most media begins with an idea, a genre, a point of view, a talent, a conceit about what an audience might find compelling. (Movies and radio began with a compelling technology, but immediately adapted it to traditional dramatic storytelling; television followed this model.) Yahoo had only an audience.

It was, therefore, in some sense a pure test kitchen. What will people eat?

Beyond basic functionality, what can the Web offer a mass

audience that will sustain interest on an ever-returning basis, and that will create an environment and relationship that advertisers will profitably pay for?

The failure to achieve something unique, something that would have ever-growing value, was not just the fault of technologists without narrative and emotional acumen. The technologists were still there, arguing for new efforts at useful functionality. But, as part of the objective test, senior-most media people were recruited to the company—again, a first for the Web—to turn Web formats into media formats (to be distinguished from media companies' trying to turn media formats into Web formats).

In 2001, Terry Semel, the former chief executive of Warner Bros., and arguably one of the most successful entertainment executives of all time, became Yahoo's CEO—commuting in his private plane, to deafening murmurs of resentment, from Los Angeles to Sunnyvale.

Semel wasn't the only commuter. More than any other native Web platform, Yahoo would become the redoubt of a wide range of media executives, some on voluntary or forced hiatus from traditional media, some looking for a way into what seemed like lucrative new media, some part of a new bureaucracy of crossover media-tech executives. At the same time, one can hardly blame the results on the limited tech skill sets of the media types, as might be the case with sites launched by magazines and newspapers with only catch-as-catch-can technical support. Yahoo was as well resourced from a technical point of view as all but a handful of Web companies. What's more, leadership in the coming years would shift back and forth between the technology and media sides—no, the talent resources were not to blame. (Of course, not surprisingly, and complicating the game, the two sides mostly hated each other.)

A reasonable conclusion was that it was the form itself—the Web as smorgasbord of entertainment, information, and functionality choices—that was troubled. Yahoo may be the most prominent example of the form, but it was imitated (or it imitated) other well-financed rivals, most notably AOL and MSN, which had even less success (and, in its next-gen iteration, *The Huffington Post* and *BuzzFeed*).

Curiously, what these large aggregating sites came to resemble is the form the digital world most derided: newspapers. Not just newspapers, but the anodyne, saccharine, supplement-weighted newspapers that would come to take over much of the middle market (most memorably mocked in *National Lampoon*'s 1978 parody *The Dacron Republican-Democrat*). The media portals offered generic wire-service news amped up by heartfelt or what-the-heck human interest stories and then section after section of advertising-driven content, such that it would be impossible for any user to actually offer a specific thought about the sensibility or identity of any of these mishmash sites. They existed only because they existed—in each case more by happenstance than by design.

But that is not to say they were failures either. In a way, it was something worse. It was, for all of these sites, a purgatory of ever-increasing traffic as a function of rising Web use and of ever-finer traffic aggregation methods (many of them having no relationship to user satisfaction or even active user choice), hence raising revenues and lowering user interest, loyalty, and value. As a brand concept, each of these heavily trafficked, aggregated sites became

broad jokes, synonymous with failure and cultural detritus. And yet, given that each of the sites did continue to have the wherewithal to generate traffic, with its inherent commodity value, they continued to live, albeit embarrassingly and, arguably, uselessly.

A decade ago, Yahoo made a series of outside investments, of low-level value and interest at the time, in the Chinese e-commerce start-up Alibaba, and in Yahoo Japan (a separately traded public company created through a joint venture with Japanese tech giant SoftBank). Alibaba, a site that generates most of its revenue from selling things, not advertising, had a growing value that, by 2011, had come to pretty much equal Yahoo's share price. That is, Yahoo the site had no value (or even negative value).

At some point, too, Yahoo and the other traffic portals came in this sense of pointlessness to resemble media companies at their most hyperbolic worst—television at its emptiest—turning into parodies of hierarchical corporate pass-the-buck protect-your-ass bureaucracies. The open Web had become its opposite, with behavior, values, and levels of deadwood and phony-baloney jobs—and corporate-speak so deep and intense that outsiders doubled over in laughter—resembling nothing so much as the kind of companies that were regularly assaulted for being brain-dead in the 1980s and taken over by opportunistic raiders.

In 2012, the raider—or "activist investor"—Dan Loeb took a stake in Yahoo, and, with hardly any resistance, gained a dominant voice on the Yahoo board. Old-line software executive Carol Bartz, appointed Yahoo's chief in 2009, was dismissed in 2011 and replaced by Scott Thompson, who after Loeb accused him of fabricating details on his résumé was fired a few months later. Thompson was in turn replaced by the company's number two, Ross Levinsohn, an advertising and media executive (Saatchi & Saatchi, HBO) who had become a leading media-tech crossover executive. Levinsohn, as president of Fox Interactive Media and a key executive in News Corp's acquisition of Myspace, was like most other such crossover executives a long way from having found himself a clear success. Levinsohn was installed as CEO on an interim basis and most everyone, including Levinsohn, assumed he would be given the permanent job. His pitch to the Loeb-controlled board reflected his own experience in digital media: drastically downsize the business in an acknowledgment that traffic has, in essence, only a commodity value. Spending more money on it doesn't make it more valuable, therefore, with some clear logic, spend less. Trade ambition, or grandiosity, or panicked disarray, for cost effectiveness.

Unbeknownst to Levinsohn, Loeb was courting Google executive Marissa Mayer, who offered a general plan or at least possibility of returning the company to its technology roots—that is, to make it more Google-like, even though Google had long made Yahoo an irrelevant technology player.

With the company's shares buoyed by its skyrocketing Alibaba investment, and with Yahoo effectively acting as a tracking stock for Alibaba, still a private company, Mayer enjoyed a honeymoon period, ending only with the prospect of Alibaba's own public offering.

At this point, finding herself with a media product with little technological wherewithal or advantage, she became something of a deer in the headlights. Peculiarly, and as though in some weird admission of digital media's intrinsic problems, she gave an interview suggesting that magazines were significantly more effective

media, with a strong connection to users, clear brand identity, and a focused purpose—and that Yahoo should be more like them.

Still, stuck with the imperative of holding and raising her yet gargantuan traffic base, she seemed to continue to pedal furiously to try to remain all things to all people with an ongoing series of banal initiatives—many of them theoretically magazine-like, or supplement-like, but in no way having the depth, skills, or style of a successful magazine. What's more, to hold the mass-market base, she was, while unable to make one successful "magazine," suddenly having to make many of them, each targeted to a different user and, more important, advertiser segment. (The entirety of Yahoo's operating revenues come from advertising, and yet at two major 2014 advertising gatherings—the Cannes Lions Festival in France in June, and Advertising Week in New York in October—Mayer's strange combination of terror and somnolence, including famously sleeping through a key meeting, became the main gossip, if not drama, of the events.) But magazines turned out to be something of another stopgap.

The premium plan was in fact television. Mayer hired network morning star and news anchor Katie Couric to become, Mayer hoped, a similar face and draw at Yahoo, without, of course, any piece of the complex attributes and casting dynamics that actually make Katie Couric Katie Couric (there is, for instance, hardly Katie Couric without her *Today Show* cohost, Matt Lauer).

Also, in 2014, Yahoo is reported by Nicholas Carlson, who wrote a book about the company, to have begun talks with Scripps Networks to buy its Food Network cable channel, and then to consider buying the $10 billion cable company and its entire collection of cable properties, including, in addition to the Food Network, HGTV, DIY Network, Cooking Channel, Travel Channel, and Great American Country. Carlson also reports that Yahoo considered buying CNN. In early 2015, it was among the digital platforms, including Hulu and Amazon, bidding for the digital rerun rights to Seinfeld.

Yahoo is just one digital media company interested in what is hoped to be the next big turn of the traffic-chasing wheel: premium video.

3

WHY DIGITAL IS SO SURE ABOUT THE FUTURE . . . THE MILLENNIALS!

BuzzFeed, one of the high peaks of millennial media, claimed an audience in 2013–14 greater than the Super Bowl's, but with only a scintilla of the Super Bowl's revenues. Instead of that being a crisis, a stark indicator of a valueless or hopelessly commodified audience, it suggested, in a sleight of hand, certain opportunity. It had the numbers, hence, of course, it would get the advertisers. No? The future only goes in one direction. (At the same time that *BuzzFeed* was making this argument, its editor, Ben Smith, was acknowledging that it probably wouldn't be around in three years, or would have transformed into something else.)

It's the twenty-year promise: we'll eat television's lunch because, tautologically, we are the future.

As per Marc Andreessen, it's zero-sum. Brand advertising is