

OP-ED

A boost for newspapers

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The past month has seen two of America's most venerable business minds scoop up two of its most venerable newspapers, with Amazon.com founder Jeff Bezos purchasing The Washington Post for a cool \$250 million and Boston Red Sox owner John Henry acquiring the Boston Globe for a (comparatively) paltry \$70 million.

Let's be frank: these were value-driven acquisitions. \$250 million and \$70 million are a relative drop in the bucket for these billionaires. Bezos is estimated to be worth \$28 billion, and he has reportedly gotten \$5 billion richer since 2012. The Post acquisition represents less than 1% of his net worth.

Meanwhile, Henry's \$70 million price tag is \$1 billion less than The New York Times Co. paid for the Boston Globe back in 1993 (is there another industry that has experienced more deflation over the past 20 years?). When put into baseball terms, Henry is paying the Red Sox' second baseman more than he spent on the entire Boston Globe franchise.

Dollars and cents aside, these two businessmen know a thing or two about investing, and it's hard to believe that they would even flirt with the idea of buying assets lacking inherent value and the opportunity to create even more.

I'd venture to say that the purchases say little about the newspapers themselves and a lot about what the publications stand for.

Daily newspapers and the media companies that come with them bring a tremendous degree of "stuff," both tangible and otherwise. Robust technology platforms, multi-million-dollar advertising contracts, priceless consumer data, and, in the case of the Post and the Globe, household brands that have been around for a combined 277 years. Each of these elements is worth something.

Most importantly, media companies bring a level and depth of human capital rarely found in corporate America. From news reporters and sales personnel, to web programmers and photographers, media companies employ lots of talented people whose skill sets can be applied to various areas of business.

Henry and Bezos understand the value of human resources. Amazon routinely scores some of the e-commerce sector's highest marks for customer service; the Red Sox' pennant hopes live and die with the performance of players on the field. You get the idea.

Staffing up a newspaper from scratch today and expecting the results one might derive from the Boston Globe or Washington Post would take decades to achieve, at best.

The bottom line: despite a daunting level of competition and a business model that by all accounts has been rendered unsustainable, society trusts newspapers and what they represent. We trust their reporting. We trust their websites. We trust their brands.

Bezos and Henry just purchased that credibility and the mindshare that has built it up over time. They are richer because of it; now let's hope their newest assets share in the riches too.

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