

Case 14 *New York Times:* Seeking Salvation within a Declining Industry



The announcement by the New York Times Company (NYT) of its annual financial results on February 2, 2012 did little to quell concerns over the future of the publisher of the *New York Times*, *Boston Globe*, and *International Herald Tribune*.

On February 4th, Henry Blogett of *Business Insider* blog published "The Incredible Shrinking New York Times," in which he acknowledged NYT's successful cost cutting and debt restructuring, but pointed to the long-run deterioration of the business and the fact that, even if the NYT website could be turned into a solid money maker, these revenues would not substitute for the declining print sales.¹

Eric Jackson of Ironfire Capital LLC was even more pessimistic. His presentation "The End Game of the New York Times" made the following observations:

- Advertising revenue is evaporating and will continue to decline.
- Cost reduction has hit a plateau.
- Pension costs are rising at 2.7% annually.
- Operating cash flow is likely to be negative in 2012.
- Cash at the end of 2011 was \$280m, down from \$400m 12 months before.

On the basis of these trends, Jackson predicted that, by 2015, NYT would be unable to continue as a standalone business.²

Despite the difficult financial situation, NYT senior executives reaffirmed their faith in the company's capacity for reinvention and in the resilience of demand for its high-quality journalism. In an interview with Evan Smith, CEO of the *Texas Tribune*, Executive Editor of *The Times* Jill Abramson pointed to the growing global audience for its news reporting, news analysis, and opinion pieces, which *The Times* was offering across a growing range of different media platforms.³ At NYT's annual shareholder meeting, Arthur Sulzberger Jr, board chairman, reaffirmed the company's commitment to its long-term strategy:

As we all know, all of us in the news and information business are undergoing profound transformation and facing the great challenges that come with such a moment. We must re-imagine the manner in which we deliver the news and do so while maintaining critical journalistic standards.

Our company is in just such a place – with all the hardship and promise this entails. That is why it is critical that we work to define our future.