

## Masters of Scale Rapid Response Transcript – Jonah Peretti

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**JONAH PERETTI:** The last few days have been really tough.

It feels like there's a lot of things we need to fix in our society, and there's a lot of challenges that we're all facing. It's putting pressure on our businesses, it's putting pressure on our people – and particularly on black employees, and people who are having to deal with fighting for their basic rights at the same time that they're trying to make a living and be productive as employees and contributors in a company.

We've seen tens of millions of dollars just evaporate because our partners aren't digital businesses and are impacted. In the short term, it really is hard. But in the long term, all of these trends play to our strengths. E-commerce is a strength, being a digital business is a strength, being a food brand is a strength. But the transition is really painful.

A nice thing about working at BuzzFeed is that no matter what happens in the world, you get to be part of it, you get to have an impact.

**BOB SAFIAN:** That's Jonah Peretti, founder and CEO of BuzzFeed and cofounder of Huffington Post

Buzzfeed has seen big audience growth in 2020, with BuzzFeed News on the front lines of reporting about protests and pandemic, and BuzzFeed's food vertical Tasty offering popular new formats for stuck-at-home viewers.

But despite those successes, BuzzFeed's business has plummeted, as advertising deals wither.

I'm Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale: Rapid Response

I wanted to talk to Jonah because no one has been more insightful about media evolution over the past decade -- and more blunt about its limitations

Now he's balancing near-term financial pressure with long-term opportunity in entirely new ways.

**[THEME MUSIC]**

**SAFIAN:** I'm Bob Safian, and I'm here with Jonah Peretti, the founder and CEO of BuzzFeed. The media business has been slammed by new challenges in the pandemic era, with

advertising production and consumption all radically shifting, and now new convulsions after George Floyd's death. BuzzFeed has long been distinguished by its nimble entrepreneurial approach – this period has required all that and more from the BuzzFeed team and from Jonah himself. Jonah is coming to us today from California, as I ask my questions from my home in New York. Jonah, thanks for joining us.

**PERETTI:** Thanks for having me.

**SAFIAN:** So far in 2020, we've experienced an unprecedented health crisis, an economic crisis, and now a social crisis. The past week has put into relief that even when you think you've absorbed whatever the world is going to throw at you, there's always more. How have the last few days impacted you?

**PERETTI:** The last few days have been really tough. I didn't sleep much this weekend. I have so much concern for BuzzFeed employees, particularly black employees who are going through a difficult time. I have so much concern for black civilians who are murdered and brutalized by the police. And the fact that there's been fight for justice for so long, and that it goes back to slavery and abolitionists movements and civil rights movements, and that still today, people are fighting for their basic right to exist.

And as a company leader, you don't really think of your job to be focused on social issues, you don't think of your job really to be providing a social safety net for employees. Those are things that normally you go into politics if you want to do that, or you go into government if you want to do that.

So many basic things are under threat, and people are looking for support and leadership, and they're not getting it from the government, and they're not getting it from the places you would normally want people to step up and lead. Frankly, businesses are not really that well equipped to provide the things that governments provide.

We've been really heavily impacted by the economic crisis that has come along with the Coronavirus crisis, and it puts us in a position where it's hard for a company like BuzzFeed to be the social safety net for so many employees in a time when we're having a big economic impact. And so it feels like there's a lot of things we need to fix in our society, and there's a lot of challenges that we're all facing.

And it's putting pressure on everyone. And it's putting pressure on all of our businesses. It's putting pressure on our people, and particularly on black employees, and people who are having to deal with fighting for their basic rights at the same time that they're trying to make a living and be productive as employees and contributors in a company.

It's really just hard to imagine how many things have happened in the beginning of this year. And it's really remarkable and inspiring to see how our people have stepped up, and how our people are supporting each other.

**SAFIAN:** You sent a note to your team about the activities, including some of the reporting, the publishing that BuzzFeed is doing to try to, I don't know, explain, ease this moment. I'm not sure even how you think about what the purpose of BuzzFeed is in a moment like this.

**PERETTI:** A nice thing about working at BuzzFeed is that no matter what happens in the world, you get to be part of it, you get to have an impact. We reach millions of people every single day, hundreds of millions of people every month. And our news team is on the front lines covering these protests, covering the Coronavirus crisis and the pandemic.

And with the horrific murder of George Floyd, and the challenges that the black community faces, there's also a big opportunity for a company like BuzzFeed that reaches so many people to elevate the voices of oppressed people, to show how people are fighting for their basic dignity.

One of the things that we've seen again and again, internally, at BuzzFeed is that people come to work with very different experiences in their life, especially around things like race, your family, where you grew up, your lived experience, what you've read, what you've studied. People have very different levels of sophistication and fluidity around issues of race. And if you're a black employee, every single day, you've been fighting through racism and prejudice, and you live with that. If you're a white employee, it's easy to just say, "Oh, this doesn't apply to me," or "I can just put it out of my mind. I don't really need to think about it."

One of the things that I've really learned from employees at BuzzFeed, from particularly people of color, is that it isn't their job to educate all the white people in the company. White people need to put in the work, read. And it makes you a better colleague, and it makes you a better ally, it makes you better at supporting the content work that we're doing at BuzzFeed, and making content that is informed and educated.

So we created a forum where everyone at BuzzFeed can request a book. We're going to send them the book, we're going to match the amount we spend on books in a donation to causes fighting for social justice. And it's a good way to improve the culture and to make sure everyone is participating and doing the hard work on themselves, as well as out in the world.

**SAFIAN:** In late March, you announced salary reductions of somewhere between five and 25%. You said you would stop taking salary altogether. And then in early May you announced furloughs of about 5% of your employees, 68 employees, and the salary reductions were made

permanent through the end of the year. It's difficult stuff. What changed between March and May?

**PERETTI:** At the end of February, we were pacing toward \$30 million in EBITDA, about \$28 million in EBITDA. So we were headed into a year that was looking to be a profitable year. That was after really remaking our business for the future. BuzzFeed was profitable several years ago, we then shifted our model to include video and a lot of distributed media. There was a lot of headwind in the digital media space, we built a commerce business and have diversified and expanded in a bunch of different ways. And this was really our year to benefit from all that hard work.

And then the Coronavirus hits, and it was clear pretty early on for us that it was going to have a big impact on a lot of our partners, particularly travel. We had just closed a really exciting partnership with Hilton, where we were creating travel content that inspires people to travel. Then we were going from that inspiration to actual transactions of getting hotel bookings. We were seeing people seeing an interesting BuzzFeed video about traveling to Iceland and then people booking Hilton Hotel rooms in Reykjavik. It was pretty exciting to see that kind of full funnel marketing from inspiration all the way down to the transaction. We were very excited about it. Of course, now that deal is suspended because Hilton is dealing with the fact that people can't travel, people aren't staying in hotels.

At first, I think some people didn't understand that it would have such a big impact on BuzzFeed, because you look at BuzzFeed and you say we're a digital business, trending to be profitable for the full year. Our traffic is at record highs. BuzzFeed, BuzzFeed news, and Tasty all have thrived as brands and as media networks during the pandemic, because more people are consuming our content, more people are at home and consume digital content.

We have even brands like Tasty, our food brand, is something that has exploded in popularity during Coronavirus, as people are cooking at home and learning how to cook. We've seen Quizzes grow over the last few months – 74 million unique users of Quizzes last month.

And then we're not exposed to any of the worst things that the media industry is exposed to. We don't have theatrical releases of movies. We don't have theme parks. We don't have cruise ships. We don't have hotels.

On the other hand, we've seen tens of millions of dollars just evaporate because our partners aren't digital businesses and are impacted. And our advertising business is very exposed to companies that are not pure digital companies that are really struggling.

And so we found ways with as little employee impact as possible to take \$40 million out of our business or reduce our costs. And we have reorganized our business around the things that we think are going to work during the pandemic. So our commerce business and transactional platform revenue, programmatic revenue with our increased traffic, all of those things have become an increased focus for us. And we're fighting to be breakeven for the year, instead of profitable, with a lot of cost reductions and a lot of changes to our business.

We're finding partners in Germany and Brazil to take over the businesses there because we don't have the ability to invest in those markets the way we thought we were going to. We've changed our business org dramatically. And in the short term, it really is hard. But in the long term, all of these trends play to our strengths. E-commerce is a strength, being a digital business is a strength, being a food brand is a strength. There's so many things that actually are long term tailwinds, where on the other side of this in an economic recovery, we should be stronger than ever. But the transition is really painful.

**SAFIAN:** A lot of businesses are trying to figure out how the world is going to be different on the other side of all of this. And you've always had a far reaching vision about how digital is going to change the media business. Do you have a vision about how pandemic changes the media business?

**PERETTI:** I think before the pandemic, I was surprised at how well the traditional models were holding up. I thought a year or two years, three years earlier, you would see Disney realize that they had to do Disney Plus and that the cable bundle was not going to hold together for the long term. It's taken a long time and these traditional businesses have held up longer than I would have expected, but digital will win in the end. And the pandemic is just making digital win faster. The same with commerce. Brick and mortar commerce and walking into stores is a less efficient model and a worse model than having products delivered to your house. You have endless supply and infinite choice if you go to Amazon. Even the biggest big box store can't have that kind of selection.

And the things like grocery delivery and food delivery, a lot of people just never tried those apps because they were just used to the "Well, I'll just drive down to the store and I'll do it." Now, everyone has tried those apps and seeing that it's pretty good to have a delivery service is pretty convenient. And so I think you're just going to see an acceleration of the continued trend towards digital services, online marketplaces being the way that the economy works, and that, in the long run, will benefit BuzzFeed because we're a digitally native company.

**SAFIAN:** But of course a lot of your marketers and your partners are in the tangible world, not the digital world. And that's the reason you're feeling the pain you're feeling in the business right now, right?

**PERETTI:** Yes. A lot of our partners are traditional businesses or live not in the digital space, in the physical space. But even those partners are turning to us and saying, "Hey, can you help us become an e-commerce business? Can you help us accelerate the shift?" Walmart, the biggest big box retailer has partnered with us on the Tasty app. When you see a recipe in Tasty you want to cook, you click a button and it puts all the ingredients into a shopping cart that you can get delivered to your house or picked up at curbside at Walmart. So, the same way that Disney is now a digital company, Walmart is now a digital company.

**SAFIAN:** Your audience, as you mentioned, is younger than many media audiences, digital natives, millennials, Gen Zs. Are you seeing changes in the way they approach content, in the way that they're engaging as a result of the pandemic?

**PERETTI:** Yeah. One big change is that young people increasingly are shopping online and they're shopping from content. So BuzzFeed drove almost half a billion dollars in sales last year through our shopping business, where we're featuring products and writing about products or licensing our brands into the physical product space. And so online shopping as a form of entertainment is something that is a new, big trend that young people have embraced.

We've always had ecommerce fit into this box of utility. Like go read a bunch of reviews and buy the best product or the cheapest product or whatever quality you're looking for. But when you want to have fun shopping, you go to the mall or you do window shopping and you get surprised and discover new things.

Now, people are doing that online, to the tune of hundreds of millions in transactions that BuzzFeed is driving through our shopping content. And the content is really entertaining and fun. And it's a form of entertainment. Shopping is a form of entertainment, but it also is driving a lot of transactions. So that's one big shift we've seen before the pandemic that is accelerated now.

So right now, credit card spending is down 12% because of all the uncertainty around the economy and the recession, and so many people being out of work and unemployment going up, but e-commerce is up 85%. And so how are those two things true? Well, it turns out that e-commerce has been a small percentage of our total spend, of consumers' total spend. Now it's increased about a third of people's total spend during the pandemic. And so it's really going to change for the long term, the shopping behaviors that people have, where they realize that you could actually have fun shopping online.

**SAFIAN:** There are trends that you're taking advantage of. There are some things that you're pulling back on. Is the shape of your business plan for the next two or three years dramatically different now than it was in January?

**PERETTI:** I've noticed watching other companies and seeing what's happening at BuzzFeed, that times of crisis favor founder-led companies, because they're led by entrepreneurs who like improvising and think about things through first principles and are okay adapting and changing their business, because in order to build a company like BuzzFeed from four of us to a thousand-plus employees and hundreds of millions of revenue, we had to just constantly change and shift and evolve. We had to think about our business in totally different ways. I mean, we used to just be a website with native advertising, and then we became a distributed media company and we built Tasty and we found a bunch of different revenue models. And now we have programmatic and pre-roll and mid-roll and platform revenue and this commerce business and all these other things.

None of that stuff existed. We had to figure that out and improvise and try new things. A lot of amazing talented people across BuzzFeed have built new businesses and new models that have really propelled us forward.

Sometimes founder-led companies aren't as good at business as usual and making sure the trains run on time and that everything is operating as smoothly as it could be, and that your core business is protected and maximizing the profits and things like that. In normal times and in good times, it's a real trade-off to have someone who didn't go to business school, doesn't really have the kind of normal traditional business type background.

A couple of years ago felt a little like, "Oh, I could be doing a better job leading my team as we grind through and build out the business." But I feel like during times like this, you have to be totally open to changing everything that you've been doing and working in totally new ways and reemphasizing and refocusing. And you just can't forecast well enough to have a clear budget and a clear plan that isn't dynamic, and you need to be able to be open to opportunities you didn't know existed and to defend your business in ways that you wouldn't have had to in better times.

**SAFIAN:** I know your content teams are at home. And so that's meant things like on Tasty, people are cooking from their own kitchens, which has turned out to be unexpectedly successful. As you look to the future, do you think having remote teams will be more of a core part of the way BuzzFeed operates?

**PERETTI:** I've noticed two things with people working remotely, from the content side. One is that sometimes you have a poor substitute for something you could do in the real world. So having people in a studio together, instead you have them in a bunch of squares on a Zoom screen or something like that. And you don't really feel the same energy of people interacting with each other.

And people are starting to get sick of the Zoom squares and feeling a little like when they see content like that, it reminds them of work and it reminds them of endless calls. But with the Tasty producers cooking at home, you had a different dynamic, which is all of a sudden you have Tasty, which is the most relatable food brand and the personalities and people in Tasty videos are so beloved. And so all of a sudden you see them in their own kitchen, in say a New York apartment cooking in a small kitchen, and you're getting a peek into their life.

And you feel even more connected to them because you're at home in your house trying to figure out what to cook, and then they're living that same experience. So they start shifting what they do to fit that. What if you have limited ingredients? So we actually added into the Tasty app, you can put the ingredients you happen to have in your fridge, and it suggests recipes for you. Because we saw that a lot of people during the pandemic were having trouble getting certain ingredients and certain supplies and were shopping less frequently. So there was this moment where you're like, "Oh, they're just like me. They're connected with me. I'm peeking into their house. I'm feeling this deeper connection with them."

And so that's something that was better to do remotely. And so we'll keep doing that as one of our formats for Tasty, even when we have a vaccine and everyone can be back in the office. And so that's a lot of the focus is trying to understand what's better remote and what's better in person. And how do we learn from this experiment? It's like where everyone's doing these massive, real time experiments of trying all these new things they never would have tried, so we should try to learn as much as possible for them.

**SAFIAN:** I know you hired a new editor in chief for BuzzFeed News in the middle of all this. I'm curious how you think about news versus the other content in the context of pandemic economics. On a P&L basis, is it good for the brand, good for the soul, for the purpose?

**PERETTI:** Yeah. So BuzzFeed News loses money, and it's been losing less every year. And we've always thought of it almost like a double-bottom-line-type business. It's important to our mission. It's important to our employees. It's important to the world. It's something that allows us to have an unprecedented impact in so many different areas when we have an investigation that exposes wrongdoing or exposes corruption, or holds the powerful people to be accountable. It I think can be a good business.

My goal isn't to have BuzzFeed News be profitable. It may still get profitable at some point, but the goal is to have it contribute meaningfully to BuzzFeed as a brand and to our culture, and to have a big impact in the world. It also, though, I should say, has a lot of benefits to our business.

If you look at BuzzFeed as a brand, 90% of people know BuzzFeed's brand. That's not true of our digital competitors. They just don't have that kind of brand recognition. That's



partly because of the big stories that BuzzFeed News has broken. It is also an important part of our relationships with the platforms. As more and more news organizations become subscription-based, it means that there's less quality news for places like Facebook or YouTube or Twitter. And free, publicly available, high-quality journalism is very important for these platforms. They really need to have quality information, where it's existential to them.

They will be potentially regulated out of existence or have rules change that dramatically impact their business if they can't make sure that there is at least a large proportion of credible quality information on these platforms. And so BuzzFeed can really help with that. And it's something that is important strategically and financially for us. Facebook has finally started to pay for news content, which is something that has helped us a lot. And it has helped other news organizations, especially smaller digital news organizations, I think have the potential to have a huge impact with relatively small teams and cost structures if we can get a little more support from the platforms.

**SAFIAN:** Facebook and Twitter have sort of injected themselves into the news in recent days. Twitter and President Trump clashing over fact checking versus censorship, and Mark Zuckerberg having private chats with the president. You must give a lot of thoughts to these challenges.

**PERETTI:** I think there's a fundamental problem, which is the big tech platforms have really benefited from user-generated content. I think of all the journalists that work at BuzzFeed News who spend a lot of their time posting on Twitter. You see it in your feed, and it's providing tremendous value to Twitter. Twitter pays nothing for that.

That's not a long-term sustainable model, for the most valuable companies in the world to just get free content. And it's not sustainable. Not just because it doesn't feel right or it doesn't feel just – it means that it creates this huge incentive for the content on these platforms to be driven by people with other motives, whether it's state operatives or political motives, or just trolling and sowing chaos.

And so it's in the interest of these platforms to find a way to pay people fairly for quality content that helps the platforms. The main way that people interact with these platforms is through the content. And it's amazing to me that these multi-hundred-billion-dollar companies have the touch point with the consumer, the content that's being created by BuzzFeed and other companies, where they have really no control over that content.

We're in the midst of this difficult shift towards the content on these platforms being more trusted, more credible from an advertising side, more brand-safe, and from a public side, being more democracy-safe content.

They need content desperately and they need to find ways to pay for it, sustain it. And if they don't, it'll be filled with the free content provided by President Trump or the free content provided by Macedonian teens or Russian intelligence agents or just random people who may not really be very educated about an issue who are trying to get as much engagement on their posts as possible with no real constraints to the truth or facts or knowledge or the constraints of science or reason.

**SAFIAN:** But they have all the leverage still, those platforms, or a lot of it, at least right now.

**PERETTI:** Yeah. I mean, if you look at the cable television industry, that leverage has gone back and forth between the cable operators and the media networks. Over time, the cable operators consolidated and bought each other and the cable networks, media networks consolidated and got bigger and turned into Viacom or Time Warner. And they were doing that always to try to balance out the leverage they had in negotiating what should the affiliate fees be and how much distribution do I get, and things like that. I think Facebook and Google have tended to really favor these long-tail digital providers and make sure that no one content provider gets too big, and have favored user-generated content because it's free to them.

So it's 100% margin running ads against user content that you don't have to pay for. So they built very strong businesses, and they fragmented the supply of content in a pretty dramatic way. And so they have a lot of leverage. And now, paradoxically or ironically, that leverage is becoming their biggest problem because the cable operator could call up the head of one of the media networks and say, "Hey, you need to improve the quality of your content or I'm not going to give you a good fee," or "Hey, can you shift the news coverage, it's too polarizing. That's kind of a problem, and our subscribers don't like that." There could be conversations about how to shift the marketplace.

Because the big digital platforms have fragmented the supply of content so much, they have no control over it. There's no one they can call up and say, "Hey, the stories you're publishing are full of false information," or "They're spreading hate," or "They're spreading racism," or "They're encouraging police brutality." It becomes harder for them to actually have control over their own product.

And so that to me is a fundamental problem – by being almost too good at building their businesses and too good at fragmenting the supply of content. The big tech platforms now find themselves in a tough position where they have real trouble fixing the problems that they've created for themselves.

**SAFIAN:** So given this climate and given what's going on in the broader sense – pandemic, health, cultural – what's at stake for BuzzFeed as a business right now?

**PERETTI:** The biggest thing for me right now that is surprising and shocking is the amount of short-term pain that we have to go through, and the massive size of the long-term opportunity of the world finally shifting towards digital, finally shifting towards direct to consumer, finally shifting towards e-commerce, finally shifting towards massive cross-platform brands that live across the internet.

And we're seeing these two things happen at once – the short-term disruption of our legacy partners and the acceleration of growth in some of our brands, of our scale, of our reach.

So I think we come out of this transformed. I think the kind of digital media we do is much more important on the other side of this. And in a recovery, we will have a really strong position. And so I'm excited about the long term, but we gotta keep fighting for every dollar and fighting to make sure that we manage our costs and really serve our audience first, because it's going to be hard to find outsized financial gains, or even to create lots of equity value for our shareholders or any of that over the next year, year and a half, two years, because of the short term challenges.

**SAFIAN:** Are you stressed by all this?

**PERETTI:** I think that you have to love the struggle if you want to be an entrepreneur. And so it's another thing that I think it helps founder-led companies is the fact that, we were in a lot more precarious positions when we were a 20-person company and trying to raise around a funding for, hadn't achieved scale yet, hadn't achieved a lot of the things that you needed to look like a promising business, had been told no by so many investors, so many times.

So to me seeing the position we're in now, and seeing how it's much stronger than various other points in our history, that's helpful. Seeing how talented the people on our team are, how amazing they are at adapting, how they keep surprising me with new ways of working, new ways of shooting video, new ways of developing or expanding our business.

It's a time when I have a lot of highs and lows, a lot of emotion, a lot of challenges, but there's a clarity of purpose to get through this crisis. There's a clarity of purpose to bear witness to the things that are happening in the world with our news team and our coverage to serve our audience, in a time when they are struggling and they're going through hard times. And so there's too much to do to spend a lot of time worrying and being stressed.

**SAFIAN:** Jonah, I want to thank you for sharing your thoughts and your time and your perspective with me and with our audience. I really appreciate it.

**PERETTI:** Thanks so much. I enjoyed it.