

Masters of Scale: Rapid Response Transcript – Alex Lieberman

“Leveraging the trampoline effect, w/ Morning Brew CEO Alex Lieberman”

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ALEX LIEBERMAN: I love media. I think it front-runs a lot of trends that happen in society. I also think that every company in the world is a media company even if they don't know it. Peloton is a media company, Netflix is a media company, Facebook or Twitter, whether they agree or not, they're media companies.

At the end of the day, the hardest thing is that there are finite people on earth, they have finite attention. So every company, if they want to have a customer, and they want to monetize that customer, they are way better off having trusted, owned attention of an audience.

That's such a fascinating thing is to become an expert in doing that within a media company. I think the second is I'm just fascinated by how people think. I'm fascinated by the information that people consume and how that leads to them making decisions in life.

I don't think there's a better industry to understand human psychology, and also impact decisions that people make than in the information industry, the media industry.

BOB SAFIAN: That's Alex Lieberman, CEO of Morning Brew.

Alex and his co-founder, Austin Rief, started an email newsletter about the business world while undergraduates at the University of Michigan.

Today, just a few years later, they have an audience of nearly 3 million people, and in the midst of the pandemic sold a majority interest to Business Insider for a reported \$75 million.

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 Alex because he found a way to unlock extraordinary value even in an environment last year that, initially, punished his business pretty hard.

Alex chalks up Morning Brew's success to its distinctive personality – a brand lesson that any entrepreneur can learn from, particularly when wooing next-generation customers.

Alex at first wanted to be a trader at a bank, like his parents. But by forging his own path, he's found success in his own way. And let's just say it: he's loving it.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Alex Lieberman, co-founder and CEO of Morning Brew. Alex is coming to us from his home in Manhattan as I ask my questions from my home in Brooklyn – it's an all New York session. Alex, thanks for joining us.

LIEBERMAN: Thanks so much for having me, pumped to do this.

SAFIAN: So for several years now, I have started my day by reading the Morning Brew email newsletter. Clearly, I'm not alone, the audience for Brew has grown to about 3 million across your properties, offers a quick, digestible, fun way for me to keep up with the business world. We're now speaking almost exactly a year after the pandemic was declared, and I'm curious how your plans for Morning Brew shifted from what they were pre-pandemic to when COVID came rolling through. Can you take us through that?

LIEBERMAN: Yeah, for sure. So obviously, every business, every human being was impacted in some way from the pandemic, Morning Brew is not an exception. I remember this so vividly, it was March 15th, that was the first day that we did our test work remote setup and the whole idea was to make sure that our whole company could function not working from the office – and that test day turned into permanence.

The biggest impact that we experienced was Morning Brew is an advertising-based business, 100% of our revenue comes through advertising. Austin, my co-founder and I always heard it. "In a down market, advertising is not good. First thing that marketers or that the C-suite cuts budget-wise is advertising."

And we always heard it, but it's one thing hearing it, and then there's another thing actually experiencing it. And from March 15th to I would say the first or second week of April in 2020, we got a small glimpse of what it is like to run an advertising-based business during a down market because for those three weeks, it felt like mass exodus. It all started with 9:00 p.m. the day before a newsletter was supposed to go out, and the advertiser who was supposed to do a full newsletter takeover spend close to \$100,000.

They pulled out of their advertisement saying they didn't know what was happening in the world, they needed to freeze their marketing budgets. That was the first shoe to drop, and then it was literally non-stop. The momentum built up so quickly around one advertiser then the next then the next, and after about a week, a few dozen advertisers had pulled their advertisements with us for various reasons. One, their business being impacted because they were in retail and people weren't coming to the store. Others said that even if they were ecommerce-driven, that their supply chain and logistics were being impacted.

All that to say that Austin and I experienced in a few weeks, Morning Brew's advertising revenue went down significantly where we honestly started having conversations about: How are we going to pay the bills? And it never got so bad, where we really had to think about layoffs of our employees, but Austin and I went back to the drawing board saying, "How else can we make money? Is it through a patronage model? Can we do a subscription? Should we launch an educational course?"

We went through everything short of going on the side of the road and having a lemonade stand, we probably came up with it. And that led to us actually working on a paid product within the business right now that's about to launch. Luckily, things started to work themselves out. Advertising has never been better for Morning Brew today, and I think so much of that turnaround is a testament to the quality of our audience – that while we did experience the scary moment of advertisers not knowing what was going on, once they decided to flick the light switch back on, there was this flight to quality, this flight to quality audiences.

And I think for us since day one, we've talked about how important it is to build a quality audience. But we saw the trampoline effect of having that work for us.

SAFIAN: This is your guys' first gig. You started this when you were in college, and you've been at it for a number of years. But it hasn't been that long.

LIEBERMAN: Yup.

SAFIAN: This has really been your first experience with a downturn like this, with an economic downturn, really, of any kind. Even though you rebounded, how does that make you think about things differently?

LIEBERMAN: There's a few things. One is Austin and I have always talked about the importance of diversification of revenue as a business, but because our advertising business was always doing so well. It was always difficult for us to find a reason to divert resources or divert attention away from our advertising business, and I think the big learning here was that one of the reasons you want to diversify revenue is obviously in a down market so you don't have all of your eggs in one basket.

And so I think one big learning was it's never gonna feel good or convenient or the right time to divert resources to start a new business that, especially in the early days, is going to look way smaller than our advertising business. But you're just making a long-term bet that when there is a down market you will be building up protection around your business.

The second is how to manage the message and manage morale in your company when things like this happen. We started just getting a lot of questions from employees. "When are we going back to the office?" was asked literally every other day, and the tough part

was we had no idea, right? We still don't exactly know, so it was such a tough thing where you want to exude confidence and clarity to your team, but you also don't want to over-promise or set expectations incorrectly.

And my takeaway from that experience was that being as transparent as possible with the information we had brought clarity and calm to people even if we didn't have the answer. So if someone asked us, "When are we going back to the office?" It was okay for our answer to be, "Oh, we don't know when we're going back." As long as we explained why that was the answer.

"Oh, we don't know why we're going back because New York City still has a Shelter in Place Order and we want to make sure we're building a healthy environment. And we have this lease that's up in May, and we have to think through if we want to start another lease at the same time." Even though it sounds very in-the-weeds, and the minutiae of running the business, I think people appreciate that if you don't have an answer, they understand why you don't have that answer.

SAFIAN: And now as you look ahead, is your relationship with your employees different?

LIEBERMAN: I don't think the relationship we have with our employees is different because of what's happened in the world. If anything, I think it's different because we've grown so quickly. Morning Brew at this point last year was 30 people. We're going to hit 100 soon. There's this great analogy that I first heard from Ben Sun, who runs Primary Venture Partners in New York City, and he talks about these stages of a business where it starts first as your tribe, then it's your village, and then it's your city or your town, and then it's your empire.

And I think very much up until right around when the pandemic started, it felt like we had a tribe. And what I mean by that is that I knew every person in the business well. I knew their professional life, I knew their personal life. I had met with every person in the business, gotten coffee with them, and truly understood their motivations and their career. At that point, everyone still had their first name as an email address.

As time has gone on with 100 people, it is impossible to have that type of relationship with every employee. We now have employees who don't get their first name. It is the definitiveness of growing a business, that you're just simply not going to be able to build as deep of relationships with 100 employees or 200 employees, as you did with 20 employees. And that's okay, that's part of scaling a business.

But I would say the combination of that with working in a remote environment has potentially exacerbated that.

SAFIAN: One of the things that you mentioned there when you were talking about the lemonade stand it also occurred to me is that in this crisis, you turned up opportunities that you

might not necessarily have seen. And in some ways for all of us, we now realize: "Oh, those opportunities are around us all the time. But if we're not looking for them, we're not going to find them."

LIEBERMAN: Yeah. I'll give you the example. We are working on building a paid product around business education because fundamentally, we don't just think of Morning Brew as a news company or even just as like an information company. In a lot of ways, Morning Brew is an education company for people. When we ask Morning Brew subscribers why they read the Brew, it is to be smarter and more informed and better educated about the business world.

And so we've always had this view that no one is better positioned to educate the next generation of business leaders than Morning Brew is. And to your point of seeing opportunity, it's like we saw what was happening in advertising, we didn't know at the time, obviously, when advertising would rebound. And at the same time, we said, "Okay, we've always said we have permission to play in this space of business education. We think business education is broken because from my experience and Austin's experience, being in undergrad business programs, we saw what was wrong and what was right about these programs."

At the same time, there was this growing opportunity, obviously, in online education. And not just online education, but what is dubbed cohort-based courses. You are part of a cohort, that cohort has anywhere between 50 and 750 people, and you are going through this educational process to have some outcome together. And I think everything about what was happening in the world acted as such an amazing tailwind.

SAFIAN: This is the Morning Brew Accelerator, which you've just launched I noticed, it's a name that happens to allow you to call it the MBA. Very clever. The tone that Morning Brew has was always distinctive, playful, I don't know what the right term is exactly, wry, right?

LIEBERMAN: Totally.

SAFIAN: Which didn't necessarily match the mood when we got to last spring. Did you guys talk about how the tone might need to shift and do you still talk about how you modulate that?

LIEBERMAN: Yeah, it's an amazing question because to that point, I've seen other publications, other media brands in the past become criticized for the way that they brought levity to really serious situations. And to your point, it's a really difficult balance to strike because one of the modes of Morning Brew is our delivery. If the mood of the world shifts, how do you tell the story in the right way, but also not lose out on one of your uniques? The analogy I would always go back to is, "Let's think of Morning Brew as like a human being."

Morning Brew is a person and that's how we train our writers. We literally have a style guide where there's a person that is written about on the style guide, who they are, how old they are, where they're living, what do they do on Thursday nights? Do they go to a TED Talk or do they go to the dive bar around the corner? What is their cocktail of choice? Is it gin-based or is it vodka-based? It sounds crazy, but by painting this excruciatingly specific picture, I think it allows us to answer tough questions like the question you're asking.

And what I mean by that is: it gets to what are the values of the person and what does the person care about? And things like approach will come up, conversational, witty, empathetic, and so then as you put these together, I think what they all contribute to is this idea that a person is multifaceted. So why shouldn't a brand or a product be multifaceted?

Morning Brew just launched a "Greatest Product of All Time" March Madness bracket – that is fun. That is something you can have fun with, and you can debate with your friends, "Hey, is the Sharpie going to beat the iPhone? Is Tesla Model 3 going to beat Tide pods?" I would story tell that sort of bracket and that competition around business in a very different way than I would say the impact on small businesses around the pandemic.

That doesn't make me or the Morning Brew's voice or person different, it just actually makes them authentic to who they are. And to your point, it's like, yes, the tone of the business world shifted over the last year. But there were still plenty of things to have fun with, to be witty about, to be conversational about, to not take too seriously. And so I don't think it ever felt like we were literally losing who we were because we were able to flex our voice in those scenarios while also being serious about it in the scenarios that required us, and it was our responsibility to be serious just as you would in life.

[AD BREAK]

SAFIAN: Much of Brew's expertise is about its curation. As a reader, as a user, I'm trusting your judgment about what's important, and how to frame it. There's a lot of responsibility in that role. In the last year, certainly for a lot of businesses, there's been a lot more attention to what their responsibility is on social issues, on political issues. When you talk about the sort of the values of this person who Brew represents, how do you think about that?

LIEBERMAN: I can't remember who I spoke to about this. But they always talked about this concept of spiky points. What are the spiky points of your product that keeps someone excited and engaged about it? I don't believe at least for Morning Brew, the newsletter, our spiky point will ever be taking a side on an issue, having a certain political view. I think that spike of our product will again be around the voice that feels relatable like you're talking to your friend in your living room after work, and curiosity around these big issues.

So less judgment and more curiosity asking the questions that the reader is wondering themselves, and then maybe playing out multiple sides of it. And I think to your point, thinking about curation in 2021 there's three parts of just the content process or content strategies that relates to creating editorial. One is pure curation where you're not creating anything, you're pulling links, you're pulling stories, and you're acting as just the best filter for your audience.

Then you have something in the middle that's between pure curation and pure creation which is what I call content remixing, and that's literally where you're curating the best stories and then you're using your storytelling techniques as in like, what is the most interesting angle? What is the voice we're going to do it in? And the third is straight up creation which is starting from scratch – that's original reporting, that's original analysis, et cetera.

Morning Brew lives in remixing, and the reason I think there's such beauty to that is we benefit from a few things. We benefit from covering timely news which people will always feel the need to feel updated on what's going on in the world, to have smart conversations.

So we benefit from the hook and the urgency created by timeliness, but we benefit from the scalability and leverage created by curation – meaning, because we're curators and remixers and not original reporters, it allows us to have a four-person editorial team, not a 40-person editorial team.

And where we play is making the story relevant and interesting for people rather than being the one who's going to have people know about the story first. And I think that job is only going to get more important because the power of the internet is there are more enablers than ever before to create content which means the amount of content living on the web living in this world is going to increase exponentially. Which means that being the filter for human beings who have finite attention and scarce time is only going to go up.

SAFIAN: So this remixing system, engine that you guys created with this voice, you were not trained in the media business, you're-

LIEBERMAN: Not at all.

SAFIAN: Right? You're sort of renegade-like, anti-establishment in certain ways, and now you have become part of a much bigger organization. You sold a majority control to Business Insider a few months ago. Why not stay independent? When I worked at Time Inc, at Fortune, there were things we just couldn't do, and then I went to an independent shop at Fast Company, and suddenly, we could do anything, and it was kind of liberating. And I think it was good for the

business and for audiences to be liberated that way. What's different? Why did you make this choice?

LIEBERMAN: So well, let's talk about the downside for a second. What is the downside of working with a bigger company? And I think the downside is you're acquired by a larger company, they stifle your creativity, you don't have the ability to create content with the voice you want to, and it ends up, you lose the essence of your brand. It gets muddled by being in a larger corporate structure. That's one of the main downsides.

Fortunately for us, that is not something we've experienced at all with Business Insider and then their owner, Axel Springer, the larger German media conglomerate. Their stance from day one and this was really important to Austin and I in whatever partner we worked with, is Morning Brew needs to continue to be able to control the ship. And if we don't set the boundaries well early on, you're going to lose the exact value that you bought us for.

And so far in our relationship, they've been entirely true to their word of letting us do that. The voice we created and the concepts we do, none of that is checked by them, none of that is approved by them. It really is a relationship where their whole MO has been: how can we support you guys to grow faster and get more eyeballs or for our podcast now, ear-holes in front of Morning Brew's audience, how do we do that?

And so a lot of our conversations revolve around: how does Morning Brew get marketed in front of insiders, hundreds of millions of uniques that hit their website every month or on social? So we talked about the downside, and we knew if we can mitigate that downside, the upside is really exciting.

As we start thinking about doing other things like creating more podcasts, creating video first series on YouTube, creating social franchises, relaunching our website and creating website content, launching events. These are things we're going to be doing in the next year, and they are things we had never done before. They're also things that Business Insider has done exceptionally well, and it's a journey that Henry Blodget experienced when he grew Business Insider from literally just being a single newsletter product in the early days when he was working in his apartment to now Business Insider being the behemoth that it is.

So to us, if we can mitigate the downside of having our creative freedom while also getting resources and top of funnel from one of the most trafficked news sites in the world, and the support of senior leadership at Insider to help guide us through these challenges that they've experienced, it was a win-win, and we have experienced that so far.

SAFIAN: And the added security of being part of a big place, was that part of it?

LIEBERMAN: So I think there's a few things. One is, yeah, the added security from a company perspective, absolutely. And then there was also the exciting part to be totally honest with you of Austin and I being able to de-risk ourselves, and after five years or six years of spending all day thinking about the Brew and working on the Brew, being able to create financial security for ourselves, as well as for early employees of the business, that was really exciting as well.

SAFIAN: Yeah, I know your early aspiration was to be a trader, not a media person, right?

LIEBERMAN: Yeah.

SAFIAAN: But it sounds like you're still pretty engaged in media as opposed to necessarily wanting to go to a different business.

LIEBERMAN: Yeah, I love media. I think it actually front runs a lot of trends that happen in society. I also think that every company in the world is a media company even if they don't know it. Peloton is a media company, Netflix is a media company, Facebook or Twitter, whether they agree or not, they're media companies. At the end of the day, the hardest thing is that there are finite people on earth, they have finite attention. So every company at the end of the day, if they want to have a customer, and they want to monetize that customer, they are way better off having trusted, owned attention of an audience.

So to me, that's such a fascinating thing is to become an expert in doing that within a media company. I think the second is I'm just fascinated by how people think. I'm fascinated by the information that people consume and how that leads to them making decisions in life. I knew my dad worked in trading at a bank, my mom worked in trading at a bank, my grandpa worked in trading at a bank. And I saw that they enjoyed that, that had proved fruitful for their careers. But I think the more I think about it, I'm a creative person, I'm someone who loves thinking about people. I don't think there's a better industry to understand human psychology, and also impact decisions that people make than in the information industry, the media industry.

SAFIAN: You started a podcast called Founder's Journal, one of several audio projects at Morning Brew. What made you do Founder's Journal? Do you find it to be therapeutic and cathartic for you? Being forced to reflect and assess regularly?

LIEBERMAN: Yes. So Founder's Journal, it started as a pet project, it didn't start as a Morning Brew franchise. It started because for the longest time, people had told me, "You've got to start journaling. Journaling is the most fulfilling thing. It's going to be something you regret not doing." And I tried getting into the journaling thing, and I just couldn't do it. And I had this frustration around wanting to be able to journal because one, I think it is cathartic in a way, but also, I am such a sucker for memorializing moments in life.

So to me, it's like when I'm 70 years old and Grandpa Alex is sitting on the rocking chair with two grandkids on his lap, not that they're going to be that curious about a media company or on newsletters. There's something really special about knowing exactly what happened. And so that's why it started. And it started as literally just me doing a daily reflection about the biggest thing that happened in my day. And now, it's become a full-fledged podcast within Morning Brew, and I think the reason is people more than ever value authenticity, people more than ever value vulnerability, and I think there was this untapped space in the world of entrepreneurship and business building where I think you have really technical podcasts like Invest Like the Best, and other shows that are really in the weeds around company building and operating.

And then on the other side, you have a lot of what I would call hustle-porn, inspiration, self-helpy stuff which is not bad. But I think there was this gap of connecting real stuff that happens in business to higher level frameworks and ways of thinking. So that's what I always say is Founder's Journal is the mindset podcast for the business builder.

SAFIAN: Yeah, you're talking about yourself, and you are being revealing in that, but you're framing it around lessons that anyone can put to work.

LIEBERMAN: Exactly. And that's the goal. And to me, that's the only way the podcast ends up working also because not everyone is interested in growing a media company. But anyone who identifies as a business builder is interested in how other builders are navigating the act of building.

SAFIAN: Do you have an overarching theory about how the future of the media business is going to evolve? Some people have that or are you more iterative and intuitive?

LIEBERMAN: I'm definitely intuitive. So I have a few thoughts. One is, it's day one for the creator economy. I think understanding, really being thoughtful about how to play in the creator economy and how it's going to grow is really important. What I mean by the creator economy is that it is easier than ever before for an individual person to create something, content, a product, a course, and monetize that thing.

So I think what that means is in the next 10 years, we're going to have holding companies that sit below an individual person who built a massive audience first, and then had all of these products and lines of business under them. There's going to be a billion dollar version of that for sure.

And so thinking about how Morning Brew plays in the creator economy is a really exciting thing. People resonate with people, people don't necessarily resonate with brands. So it's one, how do you bring faces and people to the front of what we do? The second is how do we empower creators to create great content and allow them to build audiences around them and support them in building businesses around them? But I just

think you're seeing such early glimpses of this. You have things like Substack, you have things like Clubhouse, you have things like Gumroad or Patreon, and I just think it's going to continue to grow as the internet grows, and people see that it is possible to create not that large of an audience and make a living doing it.

You can write about a super specific topic and you can make a living writing about that super specific topic. So I'll give the example of David Perell. David Perell is an individual who has built a large audience on Twitter and his blog, and his whole niche is around writing on the internet.

Think how many other hundreds of thousands of niches or specific interests exist on the internet waiting for people to create content around?

SAFIAN: Yeah, it's interesting. It's almost like they're two inverted models that are both emerging at the same time. One, as you point out might be a personal brand at the top with lots of other things underneath it, and the other might be the flip, a brand at the top with lots of people underneath it, right?

LIEBERMAN: That's exactly right. I don't think there's a right or wrong model. I actually think it's more just based on the personality of the creator. Some people will be willing to take the risk and start creating content, give up their salary for six months to try to make it happen. Other people are just going to be a little bit more risk-averse, and are going to want the stability of a company. So that's why I think both of these models are going to always exist because it all depends on what is the risk tolerance of the person creating the content.

SAFIAN: So given where you've gone with Morning Brew from the beginning to today, now you're inside Business Insider, but you have these new plans. What's at stake in this moment for you and for Morning Brew?

LIEBERMAN: What's at stake is proving we're not a one-trick pony. What's at stake is proving that we're more than just a newsletter. Yes, we have built up this really large successful newsletter, 2.7 million subscribers, a million people open it every day, that is great. But I think there's always, as an entrepreneur, there's always more to achieve, there's always the next place to get to. We want to prove to ourselves that we are able to extend this brand beyond the newsletter.

How will we know when we've done it? When I go on the street of New York City three years from now, I pick a random person out of the crowd, and I say, "What is Morning Brew?" And their answer isn't, "Oh, it's like theSkimm for business." Or, "Oh, isn't that like a newsletter company?" When someone says, "Oh, Morning Brew, that's the media brand for millennials, it's business media for millennials." That's when we'll know something clicked.

You create your products, people have great experience with your products, you describe yourself in the right way to your customers or your subscribers, and then finally after the seventh time hearing it, that's what they say. And so to me, that will be the lagging indicator to show we have effectively proven we can build a brand, an ecosystem and not just a single product is when people on the streets of New York City say Morning Brew is the business media brand for our generation.

SAFIAN: Well Alex, this has been great. I could stay on with you all day. Thanks so much for sharing all this.

LIEBERMAN: Love this. Thanks so much for having me.