Masters of Scale: Rapid Response Transcript – Jonah Peretti

“How BuzzFeed Bounced Back”

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BOB SAFIAN: That’s Jonah Peretti, founder and CEO of BuzzFeed. The pandemic forced dramatic adjustments to BuzzFeed’s business and its content. Yet by the end of 2020 Jonah and his team had engineered a rebound, finishing with record profitability.

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 not only because BuzzFeed recently announced plans to go public via SPAC at a $1.5 billion valuation, but because Jonah has uncommon insight into digital-first customers and businesses.

Jonah’s also been a wizard in knowing when to patiently finetune things, through grinding detail-oriented effort, and when to quickly take advantage of new opportunities.

And his assessment of Trump’s impact on the media business is priceless.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Jonah Peretti, the founder and CEO of BuzzFeed. Jonah is talking to us from his home in Los Angeles as I ask my questions from the opposite coast. Jonah, thanks for joining us.

PERETTI: Thanks for having me.

SAFIAN: So you recently announced that BuzzFeed would be going public via SPAC at a billion and a half dollar valuation. But when you were on this show a year ago, that seemed like a long way off. You talked about how tens of millions of dollars of revenue had evaporated, that you cut $40 million in costs, but you still weren't sure you could even end the year at break even. What happened? I mean, when did things start to turn around?

PERETTI: 2020 was a really difficult and scary year. Of course, for the human cost of having so many people get sick and so many people die and just a really tough year where initially the focus was how do I keep people safe on our team? How do we have the best possible impact in terms of public health and in terms of the information we're putting out? And then after that, there was this business concern of tens of millions of dollars from theatrical film advertising, from travel advertising, even the auto advertisers, their ads had people high-fiving and getting into cars together, and they couldn't run the creative. So we had tons of cancellations.

And then I would say the back half of the year, the real focus was how do we evolve the business? How do we take advantage of the fact that certain industries, like Amazon and Walmart in the back half, were seeing booming business. You had dating apps switching to online modes. We had a whole focus which really started to happen in Q3. And then even more so in Q4 of evolving our business for the new realities of people operating during lockdown and operating remotely. And the team really did a tremendous job turning our business around. We went from our pacing models showing us potentially having significant losses for the year to having $30 million profit for the year.

SAFIAN: And these pivots, these changes in the business model that you're talking about during the year, I mean, some people say tech adoption accelerated 5, 7, 10 years during the year. How did that practically get manifested?

PERETTI: We're a pure digital business. I love the internet. That was the focus of our entire company. So we would think, "Oh, well we should be doing great." But so many of our partners were operating analog businesses that it was a challenge. In the back half of the year, what we saw was the digital businesses really excel. And then every traditional business had to fast track their digital strategy.

The digital strategy became the strategy for the whole business during COVID. And as a pure play digital company, BuzzFeed was in a really good position to say, "Hey, why don't you partner with us? And we'll help you go direct-to-consumer, or we'll help you sell products online with our commerce business since your brick and mortar stores are not open." And so we really became a great partner for this digital transformation and continue to do that in our advertising and commerce and content businesses.

SAFIAN: Now, late in the year, you acquired HuffPost, which is a return home of sorts for you as a co-founder. Was M&A always in your plan, or was this something that was more opportunistic?

PERETTI: It was always in the plan. And I talked about the need for digital media companies to consolidate, to have more scale, more operating leverage, as partners to the big tech platforms. But it was really hard to pull off because none of the digital media companies were in a position of strength to acquire the others. We were all, for the most part, private. We were all in the mode, especially through COVID of conserving cash, not spending cash. And then it was unclear what the value of private stock was. So if you're trying to buy another company and you only have private stock to offer, there's the natural fights between VCs who can't agree on what the stock is actually worth.

To the back half of last year, we saw that we had diversified our revenue model. We saw growth re-accelerating, strong profitability. And so when we saw that our model was really working, it was clear now's the time, we're the natural consolidator in this space. We acquired HuffPost. Next we're acquiring Complex Networks. We will have a public currency as we become a public company, and we have considerable cash on the balance sheet to look at other opportunities. We knew there needed to be consolidation. We worked towards building that sustainable, profitable model and getting in a position of strength to be able to make these two acquisitions and hope to do more in the future.

SAFIAN: Originally you've been thinking about an IPO as a goal, as a way to sort of actualize the financial value so that you could do more acquisitions. And you shifted over to this alternative approach with a SPAC during the year as well.

PERETTI: Yeah. Last year we were starting to explore traditional IPO and then COVID hit. The SPAC market is very interesting because it allowed us to accelerate getting public. So we made up for some lost time, because it's a faster process. It allows you to have price certainty. And it makes it a lot easier to do M&A as part of the process.

It's very challenging to do significant acquisitions simultaneously with the traditional IPO. But the SPAC vehicle is actually designed for it. And so we were able to get public faster, have more cash with price certainty, and acquire Complex Networks all at once.

SAFIAN: And so those two things, the SPAC and the Complex deal sort of complemented each other that they came together at the same time.

PERETTI: Yeah. They were linked together. So some of the proceeds from the SPAC transaction will help us buy Complex from Hearst and Verizon, who are the owners of Complex now.

I think some people just have gone public via SPAC because the market is hot, and it's not so hot anymore, so it's harder for companies that aren't really ready to be public to get through the SPAC process. But for a company like us, where we could choose to go public in a traditional way, or we could do it via SPAC, a little faster with M&A, it made a lot of sense.

SAFIAN: So with the announcement of the SPAC and the Complex deal, you outlined a three-part plan. You talked about consolidating digital media, which we've talked about a little bit, empowering creators, and then you talk about capturing more value. And I want to ask you about this. You say, "In media, we only capture a small fraction of the value we create." As a media person, that feels familiar to me, but I'd love you to explain what you mean by that.

PERETTI: Yeah. I think that what we've seen in the digital space is that intermediaries are ending up capturing a lot of the value when transactions happen. So for example, if you watch a BuzzFeed video about an amazing travel destination, and you never thought of going to Iceland, but you see a video that BuzzFeed produces, and you're like, "Wow, that's awesome. I want to go to the hot springs in Iceland."

Then you do a Google search to look for hotels. Maybe from there, you click over to Expedia to get your flight, and you end up then booking a flight and staying at a cool place in Reykjavik. In that situation, BuzzFeed inspired you to go on the trip and is the reason that you're even in Iceland. But maybe only made a little bit of money on some ad that wasn't directly related to the transaction.

The airline got you there, the hotel put you up there and they delivered the experience, but the majority of the profit is going to Google and Expedia. And so could we have a model in the future where the companies that are inspiring you to go on the trip are getting attribution and credit when you actually go and travel?

And if we can get better at connecting that inspiration to the actual transactions that it's driving, media companies should be much more valuable than they are. And particularly media companies like BuzzFeed, which have a massive amount of time and engagement and very high rates of people transacting from our content and over 500 million in direct transactions last year, and that's growing pretty quickly this year.

And so I think there's a big opportunity as the industry matures to sort of fix some of these attribution problems. People know that these pure tech platforms aren't really driving culture. They're just kind of helping distribute things and harvesting lots of the value. People intuitively sense how important media is to their own lives and to culture. But a lot of the value isn't being captured by the companies that are producing that inspiring content and cultural value.

SAFIAN: This is a situation that existed with traditional media, but there was no way to act on it. Whereas in digital media, it's all in the same interface.

> **PERETTI:** Yeah. Digital gives you this possibility of connecting the dots. If you read a print magazine and then go to Google to search, it's really hard to connect those two things.
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> I think one of the arguments for more consolidation in digital media is it will help us connect the dots, right? So if we have more scale, we have a bigger audience, there's more ability to start to really capture the value that you know you're creating intuitively, but you just haven't been able to capture financially. And so we're starting to see that benefit as we get more scale and start instrumenting more for transactional media, not just display based ads and things like that.

SAFIAN: There are other media properties that have aggregated digitally. And yet they don't seem to be activating on this platform quite the same way that you guys have been.

> **PERETTI:** Yeah. I think that for me, the really important thing is having tremendous independence for each of our brands. We have BuzzFeed, we have BuzzFeed News and HuffPost, Tasty, Complex, and Complex has a few really strong brands. You need to have strong independence for the editorial teams that are making this content. And you need to really never forget that you're reaching actual people. And they have different interests and different passions, and you need to build community around your brands and deep engagement. On the business side, you can see how a marketer might want to be able to activate across all these different brands and all these different properties, but even there, you need to understand the real differences.
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> And so you can get some economies of scale. You can get more operating leverage, you can get some advantages from consolidation, but you really have to think about how do you drive organic growth? How do you have independence of voice of each of the brands? How do you stay influential and important in people's lives? And I think when I look at some of the sort of roll up or consolidation type plays, that's not really what we're doing. We're bringing together really great, strong, independent brands. We're not just rolling up a bunch of stuff and saying, "Oh, now we're big."

SAFIAN: Well, there's an impulse, I guess, with the data that's available to, the more you have, the more the data can tell you, and the more you can extract value by using that data. And I know you're a big believer in data and numbers and pointing things in certain directions, but at the same time, you're talking about sort of the art of this that goes along with the science.

> **PERETTI:** The art is really important. If everyone just followed the data, the content would start to become homogenized, or it would become click bait type content where the data often can lead people to a short term focus also. You need to look at long-term value creation and long-term connection with audiences. And so if you deceive someone

and make something that they can't resist clicking on, but they're disappointed, that hurts you in the long-term. Even though, "the data" shows that the audience likes that content or clicks through on that content.

And so it's really about using data as a way of building a closer connection with that audience. And so I think of it as almost like a live musician who, they have the music they want to play, but the audience's reaction causes them to riff and change, maybe go a little longer with one song. And that's what looking at data means. It doesn't mean that you poll the audience and then the musician just plays whatever genre of music that the majority of the audience likes or something, right? You need people to have voice and a brand integrity and be able to push forward on something that they think is exciting. And then the data just helps make you get in the groove with the audience.

SAFIAN: You mentioned BuzzFeed News and HuffPost. It's been a calmer news cycle in 2021, and many news outlets have seen some declining audience numbers. How are they doing?

PERETTI: The Trump presidency had a huge impact on the news industry, and it was a difficult catch 22 for a lot of news orgs. Do you just become 24/7 Trump coverage? Which is what CNN did and Fox and MSNBC, really just became all about Trump, and Trump as an older guy who sort of, despite being very adept at creating controversies on Twitter, at least before he was banned, he was very focused on old media. He would talk about Time “Man of the Year,” and I think he brought back new relevance to Time and CNN and The New York Times and the Washington Post. The New York Times saw massive subscription gains, every time Trump would tweet an attack at them.

And Trump was very focused on those sort of baby boomer brands and traditional legacy media brands and was constantly in fights with them. That had an advantage for those legacy publications, where they grew a lot of subscribers. Their ratings really went up a lot. And to me it felt like the millennials and the gen Z's were just forgotten about. In Trump's world, they don't even exist. The millennial and gen Z audiences looking for news, they just were caught looking at their grandparents having fights in the traditional legacy media publications. And so for us, having Trump not in office and not on social media meant we could finally start covering and writing and talking about the things that millennials and gen Z's care about. And our news coverage has done that as well. And it's also just opened up a lot of amazing opportunity to cover other stories, like the story that BuzzFeed News just won a Pulitzer for covering the Muslim detention camps in China. There's just all these stories that are like that, that would get drowned out because everything was about Trump. I think it's encouraging for the next generation and for us as a youth media company. It's nice that it's not just Trump fighting with Nancy Pelosi and Chuck Schumer, and we actually have some opportunity for new voices and new stories to get some attention.

SAFIAN: You mentioned a year ago when we talked that BuzzFeed News loses money and that your goal wasn't necessarily profitability, although that would be nice, but it was more about societal and brand impact. Does that change as a public company, the way you think about BuzzFeed news as a business?

> **PERETTI:** No. I always think that BuzzFeed News is ultimately good for BuzzFeed. If you look across all the big media companies in the past, in many cases, they had part of their news division at least, that would be a loss leader. That would be something that everyone in the company would be proud of. That has an important social impact. For us, our engineers really are proud to work at BuzzFeed. Our business team and our sales team is proud to work at a company that now has two Pulitzer-winning digital news brands in HuffPost and BuzzFeed News.
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> We want to grow profitably and continue to reinvest and get bigger and become a stronger, more influential company and live up to our mission of spreading truth and joy. And I think the news division is an important part of that. We just can't have losses that are so big that it puts the company in a position where it can't live up to its potential as a business. We'll find the right balance there, whether we're public or private.

SAFIAN: You have a lot of millennials and gen Z who work for BuzzFeed. And I want to dip in on the culture check about what's happening in BuzzFeed, about how we go back to work. You committed to remote early in the pandemic through the end of this summer, I think. What have you learned about keeping culture vibrant during this extended office hiatus? Do you have an idea about how it's going to work in the future at BuzzFeed?

> **PERETTI:** The challenge is that the past is not really a great guide of what things are going to be like in the future. So at the start of the pandemic, the entire company was in crisis mode. There were urgent goals, urgent changes, things that had to be done. Then later in the pandemic, you had some of the excitement of getting through the worst of it and the business improving. And then throughout this, you start to have burnout and people feeling like they're not getting that, especially more extroverted people, they're not getting that energy they get from being with their peers and being with colleagues. And then how do you manage that?
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> We did things like adding a monthly mental health day and encouraging people to take time off. And then what we're heading into now is also unprecedented. So you can't just look at the past and figure it out, which is a more hybrid model where you may have people coming into the office two or three days a week.
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> It's clear you can save money and time by doing certain things remotely. All the time that people spend commuting. It's clear you can get a lot done and be very efficient in a remote setting. And it's also clear that when we have gatherings and we brainstorm and get people together, there's a real energy of people being in the same physical space. We're going to try our best to just treat this like anything we do at BuzzFeed. We're testing and learning and iterating and improving over time, to try to get the best of both

worlds, the best of remote and the best of in-person when people gather, but it's going to be a learning process to figure out how to make it work for everyone.

SAFIAN: Do you have an idea yet how this testing system is going to work?

PERETTI: Part of the plan is trying things, but also sending out flash surveys to see how people are responding to the things that we try. I think our goals are aligned with our employee's goals. Like we want them to be happy and flexible and productive and creative. We don't have any preconceived notions.

But I think that you can't just send a survey and ask people what they want now, because once some people come back to the office and there's an interesting scene there and people are doing interesting work, then other people would be like, "Ooh, I feel like I'm missing out. I want to be in the mix there." It's going to be something that will, I think, evolve a lot over the next year.

SAFIAN: There are ways to improve so many different parts of the way we operate and the way we spend our time. Although there is always something to that serendipitous hallway conversation that does spark certain kinds of creative ideas. I think that's part of the hardest balance for us to work out as we go forward.

PERETTI: Yeah. And will people get that serendipitous creative energy from people who live in their neighborhood or people they bump into at the coffee shop? It might not be just the people you work with, I think generally shifting context creates a lot of creativity. It's the routine that starts to dull creativity. I think one silver lining of the horrific pandemic is that there's more shifts in routines and questioning why we do things the way we do them. And all of that, I think, is going to lead to a bunch of creative ideas and new companies.

There's a lot of people switching jobs right now. I think part of that is people are less socially hooked into their workplace because they haven't been physically there. And they've had those existential thoughts of like, what do I want to do with my life? I think all of that will lead to some positive change in creativity and especially in this more optimistic period.

SAFIAN: Yeah, people switching jobs within BuzzFeed has always been kind of a goal or part of the culture, right? To encourage people to try new things.

PERETTI: Yeah, I think, especially millennial, Gen-Z employees are not thinking the same way that their parents or grandparents are thinking, like, "I hope I get a job at GE, and I retire and get a gold watch when I've been there for 45 years," or something. It's like each job is like a mission or an adventure, and you're trying to figure out how do I have success at that? And then move on to the next adventure. And as best we can, we try to provide that within the company. But we also understand that sometimes people come to BuzzFeed, develop amazing skills, and are able to go get a job they never would have been able to get before because of their time at BuzzFeed. And because we have that reputation, that also means new talent is often very excited to come work at BuzzFeed. Because they realize that if they do, it'll only expand their career.

And then we have this creator's program where, in some cases, we work with people who don't even necessarily have to be full time employees, but can partner with us. And when you think about the challenge that YouTubers have or influencers have, where they're out there on their own, to be able to come to BuzzFeed, have colleagues, resources, learnings, be cast in our shows and get this additional reach, that also could be something that's really mutually beneficial for BuzzFeed the company, as well as for their careers within BuzzFeed and beyond BuzzFeed.

SAFIAN: So what's at stake right now for BuzzFeed?

PERETTI: I think we've just executed on the strategy that we were planning for a long time, and we're getting to the fun part of the strategy. Four years ago, it was digital media is not attracting venture capital anymore. It's not the hot space that it was six or seven years ago. We're the leaders in the space, but the space is getting tougher. And it's less about the hype of digital media, and it's more about can you build a really strong, sustainable, profitable business?

The best strategy right now is not to make big, major moves, not to try to sell the company or acquire things. The best strategy right now is to put our head down, manage our costs, and diversify our revenues, and build a profitable fly wheel where, when we make content, we generate more revenue from the content we're making than it costs to make it. And we can then invest that back in and build this virtuous, compounding circle where, over time, we become a stronger and stronger platform.

And we need to do that for a few years. And we increased our EBIDTA 150 million dollars of improvement in a few years, just by staying focused on that. Keeping our heads down, building our platform, being fiscally responsible and rigorous, innovating and creating new business lines. And once we felt confident that we had that platform and we had that profitable engine for digital media, then we bought HuffPost, then Complex Networks, then go public, then do all of the bigger stuff that you can do when you have the right operating model for this new kind of company.

So we're just entering the fun part now, where all of the pain that we've taken over the previous few years is now paying off and being able to do the exciting stuff that we've really wanted to do for awhile now.

SAFIAN: Well, it must be nice to have some fun to look forward to ahead, particularly after the year gone by.

PERETTI: Talking to you reminds me of our last conversation and just how different things are in the world, and also in BuzzFeed's business in just a relatively short amount of time. And I think if there's any lessons from all of this, it's that whether it's the digital economy, or whether it's unexpected things like a pandemic, you just have to be able to build a company that is so adaptable and dynamic and can change and shift in order to navigate this economy. And I feel like that's just been a huge lesson from this. And watching the team navigate through these challenges, and do things they just didn't imagine they could have even possibly done.

Just like March, April, May of last year thinking, "Oh my God, are we going to be able to make payroll?" To having hundreds of millions of cash on the balance sheet and acquisitions and the ability to go public. And so it makes me really proud of the team, and makes me just realize that you have to build this resiliency into the company and the culture in order to operate in this world that we're in. Because it's amazing how quickly things move.

SAFIAN: It sure is. And amazing that your vision for the business from before holds up through all of these changes, too.

PERETTI: It required a lot of patience, especially for entrepreneurs. It's hard to say, "Oh, we're going to have to do this hard, slow, gradual work over a few years before we can do all the things." It's just, natural instinct is like just do it now. From when Disney wanted to buy us in 2013, where we only had native advertising, and digital media was super hyped. And we weren't really a business. We had 60 million in revenue, but were doing a lot of the stuff in an ad hoc way and less scalable way.

And to sort of say no to that deal, and then have a three year, four year period where you're just having to do all this work to go from the hype mode of the digital media cycle to the sustainable, profitable operating model, it's a big gap. So I guess my advice to other founders listening to this is that you have to want and love going through that kind of hard part if you want to, for example, turn down an offer to sell your company when you're in the middle of the hype phase.

SAFIAN: Well, it's hard work, and I appreciate you, with all the work, spending time with us to talk about it. Thanks again. Thanks very much for doing this. I really appreciate it.

PERETTI: Thanks for having me.