



Risky Business: John Harris, Jim VandeHei, and *Politico*
Part B: A Winning Model?
Teaching Note

Case Summary

All media organizations struggle for visibility, but that challenge is particularly acute for newcomers, who must carve a niche for themselves among larger, more established players. Their task is even more difficult when the industry is in turmoil, and the environment highly competitive.

This case focuses on two former *Washington Post* reporters, John Harris and Jim VandeHei, who faced such tests when they launched their own Capitol Hill-focused news venture in early 2007. Funded by media mogul Robert Allbritton, *Politico* differed from many newspapers by focusing most of its editorial efforts on its website, and running its print component as a subsidiary product.

Politico launched in early 2007 and appeared to find its footing. It attracted big-name reporters, and found a growing market among readers caught up in the drama of the 2008 presidential campaign. But even though *Politico* won plaudits from other media, and attracted an increasing number of online visitors in its initial months, its future was far from secure. It continued to hemorrhage money, and Harris and VandeHei worried that their venture could not sustain its pre-election growth.

In Part B of “Risky Business,” students follow Harris and VandeHei as they plot how to maintain *Politico*’s early momentum. They see the two journalists strategize about how to compete with newspapers, such as the *Washington Post*, which have strong reputations and long histories of covering the complex, insular world of Washington politics. They also gain insight into what it

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takes to run a journalism startup, including the quest to find a profitable and sustainable revenue model, deploy resources, interact with readers, and organize production.

Use Part B on its own to focus on the early life of a media startup company, or in conjunction with Part A to trace the entire evolution of *Politico* from conception to operation.

Teaching Objectives

Like Part A of “Risky Business,” Part B highlights the journalist-as-innovator and entrepreneur; the perils and promises faced by those who decide to establish startups rather than effect change within existing organizations; old media versus new; niche versus more general publications; and political reporting, especially on Capitol Hill. But while Part A traces *Politico* up to its launch, Part B focuses on the period that follows. Use it to discuss the challenges of sustaining a newly-launched media organization, especially after a splashy start and momentum that at least partly hinges on a specific period or event—in this instance, the 2008 presidential election. Also use the case as a platform for talking about the challenges of competing with larger, more established outlets, and as a vehicle for focusing on different journalism business models.

Unlike most newspapers, *Politico*’s primary outlet is the Web, not its print publication. That emphasis reflects a growing preference among news consumers to read information online rather than in hard copy. Discuss *Politico*’s strategy as part of a broader discussion about the changing audience for news and the impact of journalism’s move online for consumers, media outlets, and the journalists who work for them.

Politico owes much of its initial success to excitement surrounding the historic 2008 presidential election. But as polling day approaches, it is unclear whether, and how, Harris and VandeHei can build on *Politico*’s early gains and distinguish itself from more established organizations when covering the daily workings of Washington. Discuss *Politico*’s challenge as part of a broader discussion of long-term strategies for building a news business, capitalizing on early successes, and maintaining momentum after launch.

The case also addresses the issue of business models and revenue building. *Politico* relies on advertising. But despite impressive gains in number of readers, the online venture loses money while the limited-run print product—a legacy model—brings in the bulk of the organization’s revenue. Consider alternative business models, and other strategies for capitalizing financially on growing online audiences.

Class Plan

Use this case in a course about the journalist-as-entrepreneur; the business of journalism; establishing and sustaining a media startup; online versus more traditional media; journalism business models and organizational structures; and political reporting.

Study questions. Help students prepare for discussion by assigning the following question in advance:

1) *Politico* can point to considerable success in the period from its launch in January 2007 to the eve of the presidential election in November 2008—including breaking news and building a good reputation. But after 21 months, its business model has yet to generate a profit. Is this a problem?

Instructors may find it useful to engage students ahead of class by asking them to post brief responses (no more than 250 words) to the questions in an online forum. Writing short comments challenges students to distill their thoughts and express them succinctly. The instructor can use the students' work both to craft talking points ahead of class, and to identify particular students to call upon during the discussion.

In-class questions. The homework assignment is a useful starting point for preliminary discussion, after which the instructor could pose any of the following questions in order to promote an 80-90 minute discussion. The choice of questions will be determined by what the instructor would like the students to learn from the class discussion. In general, choosing to discuss three or four questions in some depth is preferable to trying to cover them all.

- a) After the inaugural edition, a pattern emerges: *Politico* consists of two dozen Web articles Tuesday-Thursday written by some of the country's top journalists, somewhat fewer articles in the remaining days, and a thrice weekly newspaper that is mostly re-written Web articles and some original reporting. What do you think of this production pattern? Discuss its strengths and weaknesses. What is the right amount of content for an Internet publication that, unlike its print counterparts, has unlimited space and potential for updates?
- b) *Politico's* revenues—both online and print—come almost exclusively from advertising. Allbritton is prepared to absorb some of *Politico's* losses in its early years (some \$3-4 million in 2007, and \$2 million in 2008). But not all startups are lucky enough to have a backer who is willing to take such a financial hit. Consider other potential business models and revenue sources available to Harris and VandeHei, and consider their pros and cons.

- c) According to Allbritton, 18-24 months is a “pretty realistic timeframe for a startup” before it starts to make money. Do you agree?
- d) Harris and VandeHei believe that *Politico* needs “not only to match, but to surpass, the excellent work from established organizations like the *Washington Post* and the *New York Times*.” Do you agree that *Politico* must compete directly with these institutions, and even outdo them? Is their goal realistic? How can *Politico* carve its own unique space in the media landscape, and what form should it take?
- e) VandeHei describes *Politico*’s first print edition as “beyond terrible,” and is far from fully satisfied with the website’s spare design and content. What do you think about the launch timing? Is it more important they meet their deadline, or should they wait until the website and paper are polished? What are the pros and cons of each strategy?
- f) Harris and VandeHei had hoped to create a new kind of publication. But after its first week, *Washington Post* media critic Howard Kurtz describes *Politico* as “solid and substantive, but not knocking anyone’s socks off,” and deems much of its content comparable to what could be found in “an Old Media relic.” Should Harris and VandeHei be disappointed with Kurtz’s review?
- g) Harris hopes that “people will judge us over time” rather than make a snap decision about the value of the newly-launched *Politico*. Is Harris being naïve?
- h) Harris and VandeHei are well-known journalists, as are several of the reporters whom they recruit to *Politico*. In addition, they have the means and connections to hire an experienced media director and establish a three-person publicity department. As a result, *Politico* receives substantial free publicity and media exposure. But most startups do not have the name recognition or resources to marshal so much press. Should others use Harris and VandeHei as a model? Which of *Politico*’s strategies could be imitated, and how else might journalist-entrepreneurs maximize their impact?
- i) *Politico* succeeds in attracting an audience of Washington insiders, including a coveted bracket of male readers with large incomes, post-graduate degrees, and a passion for politics. But despite this accomplishment, it fails to turn a profit. Does this mean the organization will have to turn to a mass audience after all, and alter its content to do so?
- j) In the summer before the 2008 election, the left-leaning *Huffington Post* attracts almost triple the number of *Politico*’s page views. Other news outlets with openly

partisan positions have also found popularity. Should *Politico* consider doing the same if it wants to grow its readership?

- k) According to its mission statement, *Politico* focuses on “backstories” behind daily national political news, and aims to make its coverage lively, insightful, and humorous. Do you agree with Harris and VandeHei that these are “all the things readers hunger for as they try to make sense of the news and understand what politicians are really like?” Consider the risks and advantages of *Politico* producing stories that are more like “talking with a reporter over a sandwich or a beer.” What other approaches, if any, could *Politico* adopt to appeal to readers and stand out from the competition?
- l) Despite making *Editor and Publisher’s* list of top 30 most-visited news websites, *Politico’s* paper publication is its real money-earner—accounting for 60 to 70 percent of the organization’s revenues. To what extent does this reality undermine the position of Harris and VandeHei as well as others who say the future lies online?
- m) To increase revenues in the post-election season, *Politico’s* three founders develop the Politico Media Group, a content and ad distribution network that offers advertisers access to an exclusive and affluent group of consumers linked to a select group of news organizations. What do you think of this plan?
- n) By the end of 2008, *Politico’s* website averages an impressive 3 million unique visitors a month. But its traffic trails those of its main competition, the *Washington Post* and the *New York Times*. Considering that Harris and VandeHei had pledged that *Politico* would be the authoritative political news site, should their venture be considered a success or a failure at this juncture?

Suggested Readings

Ryan Chittum, “The Chasm Between the Value of Print and Web Readers,” *Columbia Journalism Review*, August 21, 2009.

SYNOPSIS: Despite its growing online readership, *Politico’s* print product is considerably more profitable than its Web counterpart. This article puts that reality in context, pointing out that a person buying a newspaper brings in 20 times the revenue of online readers. As Chittum asks: “Which way to go? Attempt to protect your print franchise and hope you last long enough for an e-reader or some such thing to replace your print fixed costs? Or push your audience to the Web, cut your staff some more and pray that somehow ad CPM’s start skyrocketing? You tell me.”

http://www.cjr.org/the_audit/post_11.php

Mark Deuze and Timothy Marjoribanks, "Newswork," *Journalism*, Vol.10 (5): 555-561.

SYNOPSIS: "The work that journalists do is changing fast. The creation of content in the global news industry takes place under increasingly precarious conditions." In their introduction to the journal *Journalism*, Deuze and Marjoribanks provide brief but useful context for discussing the environment in which any news startup—*Politico* included—must operate today.

Leonard Downie, Jr. and Michael Schudson, *The Reconstruction of American Journalism*, October 2009.

SYNOPSIS: At a time when the news business faces major economic challenges, this report by Downie, former executive editor of the *Washington Post*, and Schudson, a Columbia Journalism School professor, proposes steps for maintaining a "vibrant, independent press." Even as newsrooms and budgets shrink, it sees "abundant opportunity in the future of journalism"—especially in the Internet. The report spotlights a number of online journalistic models that it believes can be developed more widely to provide a diverse mix of for-profit, low-profit, and non-profit sources of news and public affairs. It proposes creation of a national fund for local news, and sees universities and colleges as sources of "accountability journalism" that holds the powerful and influential to account. The report highlights some of the problems that Harris and VandeHei identify as plaguing the industry, and provides a basis for discussing possible strategies and business models for tackling journalism's problems.

<http://www.journalism.columbia.edu/cs/ContentServer/jrn/1212611716674/page/1212611716651/JRNSimplePage2.htm>

Dan Gillmor, "Moving Toward Participatory Journalism," *Nieman Reports*, Fall 2003.

SYNOPSIS: *Politico* asks readers for feedback on its website's design, areas of coverage, and even solicits questions to ask at a Republican presidential debate. This article in Harvard's *Nieman Reports* examines the phenomenon of such "participatory journalism." Gillmor says that "enormous new power is devolving into the hands of what has been a mostly passive audience," and notes some of the challenges and potential dangers of such collaboration. Ultimately, however, he says that he is "optimistic" about the trend, which he views as enhancing people's ability to "become more fully engaged as customers, families, neighbors and citizens."

<http://www.nieman.harvard.edu/reportsitem.aspx?id=101062>

See also: J.D. Lasica, "Participatory Journalism Puts the Reader In the Driver's Seat," *Online Journalism Review*, August 7, 2003, which highlights the phenomenon of "participatory journalism," describes its use by other media outlets, and asks whether forms of participatory journalism and traditional journalism will "complement each other, or collide head on."

<http://www.ojr.org/ojr/workplace/1060218311.php>

"Newspapers Face A Challenging Calculus," *Pew Research Center For the People and the Press*, February 2009.

SYNOPSIS: Harris and VandeHei know that audience tastes and reading habits are changing. This report from the Pew Center provides facts and figures that illustrate the shift of American readers from newspapers to the Internet.

<http://pewresearch.org/pubs/1133/decline-print-newspapers-increased-online-news>