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The New York Times loses ad revenue in Q2, a bad omen for digital media

Article

The news: **The New York Times Company** saw digital ad revenues decline **2.4%** in Q2. That might be a marginal decline for the legacy news giant, but it's a sign of troubled times to come for the ad-reliant digital media business model.

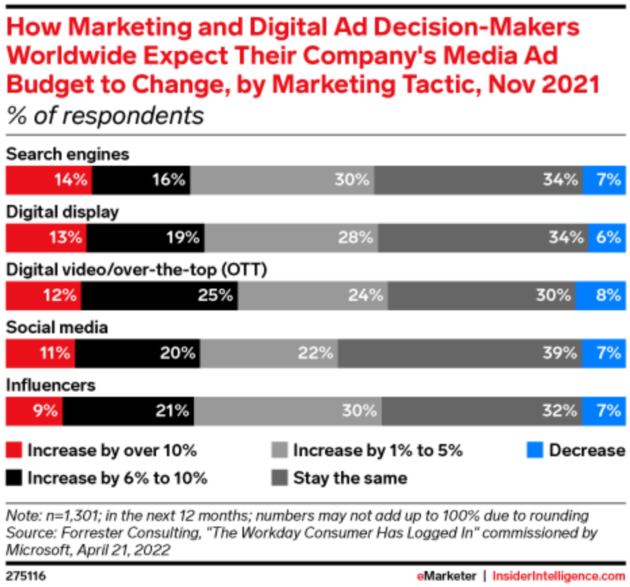
By the numbers: Overall, the Times enjoyed a relatively comfortable Q2.

- The company is betting on subscriptions as the future of the business, and added **180,000** digital-only users, bringing its total subscriber count to **9.17 million**.
- Revenues jumped 11.5% year over year, but profits fell 18% largely due to the **$550 million** purchase of sports news outlet **The Athletic**, which will boost its subscription business.
- In its Q3 guidance, the Times said it expects a “flat or small decrease” in advertising revenues.

But hidden in the news of the Times’ solid quarter is the implication that other media outlets with less reach and a bigger reliance on digital ads will be hit harder than the iconic newspaper as advertising spending starts to slow down.

Already hurting: Media layoffs spiked during the last three recessions, and although there’s debate about whether the US economy is currently in or headed for one, jobs have already gone to the chopping block.

- The closure of **Mel Magazine** and firing of its about 15-member staff in July was one of the first alarm bells to go off. The lifestyle magazine had been acquired only a year earlier by **Recurrent Ventures**, whose leadership expressed confidence in its ability to make the website profitable.
- Shortly after, **Vox Media laid off 39 employees** across sales, editorial, and recruiting to brace for a potential recession. In an internal memo, CEO **Jim Bankoff** directly referenced the ad slowdown and warned of another round of layoffs.
- “Supply chain issues reducing marketing and advertising budgets across industries and economic pressures [are] changing the ways that consumers spend,” Bankoff said. “Our aim is to get ahead of greater uncertainty by making difficult but important decisions.”
- Other smaller outlets have seen similar layoffs and years-long shrinkage, and **Meta**’s recent pivot away from news and refusal to renew deals with publishers will further tighten their wallets and readership.



Is digital media ready for an ad downturn? Industry leaders say they feel prepared due to lower operating costs, but the industry is still plagued with longstanding issues.

- Years of layoffs have shrunk many media brands down to their "leanest" headcounts in years, but the fact remains that companies have struggled to develop operating models that aren't wholly reliant on digital ads.
- The New York Times and **Washington Post** stand to benefit from outlet closures. The decline of local, national, and digital media combined with their historic reputations mean they're viewed as "essential" news sources that can attempt to fill the void.
- **Axios** has also gone for the local news market by launching over 21 daily newsletters focusing on specific metro areas, with several more on the way.

The big takeaway: The ad spending slowdown is starting to have a trickle-down effect on reliant industries.

- Media outlets and brands with a clear target audience (think NYT's Cooking, Athletic, and Games subscriptions) may weather the storm better than others, but more layoffs are sure to follow as ad spending tightens in the second half of the year.

***Go further:** Listen to our interview with New York Times CMO David Rubin.*