

Is Rupert Murdoch an asset stripper, gambler or genius?

 blogs.lse.ac.uk/polis/2009/08/06/is-rupert-murdoch-an-asset-stripper-gambler-or-genius/

2009-8-6



Man of mystery

Is [Rupert Murdoch's plans to charge for news content](#)

a stroke of predatory genius, a desperate act of asset-stripping or simply a bold gamble?

Rupert Murdoch has built more journalism businesses than most people over the last few decades. He saved the Times group, put the Sun and Screws on top of the tabloid pile, and brought the UK its first top quality independent 24 hour news channel. And that is just in Britain. So while he's sacked a lot of people and closed down some newsrooms over time, he is someone who has invested in journalism as well as profited from it.

So what is he up to this time?

All news groups are going through a storm which is already sinking many of the more delicate craft of US regional news.

[Ghoulis speculation](#) surrounds major titles such as Newsweek and even the New York Times. Mr Murdoch says that this has been News International's most difficult ever 12 months, and yet he is [still making profit](#), albeit a mere \$466m on revenue of \$5.9bn compared with \$786m on revenue of \$6.2bn in the previous financial year.

So why erect pay walls in the next 12 months when that device only appears to work at places like the Wall Street Journal or the FT where subscribers are, in effect, using the information to make money, further their careers and/or charge it to the company?

Of course, we don't know how Murdoch envisages charging. It may be only for premium services in which case it's not such a radical shift and could be seen as pretty marginal revenue-raising akin to The Sun's lucrative budget holiday business. But if it is a significant barrier with real charges then it could be game-changing in the same way that subscriptions for satellite TV changed the dynamics of the broadcasting (and football) market.

Here are three possible rationales I can see for what Mr Murdoch is doing:

1. 'Asset-stripping': get as much cash out of these businesses as you can without completely killing the customer base to pump up the balance sheet while other media organisations burn their capital and plunge further into debt.
2. 'The gamble': If a few titles go down that just proves their weakness. Whatever is left standing will dominate a depleted market as the rivals follow in the wake of News International. In the same way that putting the price up of the Sunday Times actually strengthened its market dominance. If you are a sector leader – such as The Sun – then you have the brand community to set the pace and help dictate consumer behaviour.
3. Genius: Murdoch understands that enough of the public want to preserve their source of news and will be prepared to pay. They realise that they have had a free ride. They identify with the product and recognise that like anything worth having, you have to pay. Just like Sky. While the Internet enthusiasts preach the value of Free, most people pay for a lot of things online (shopping, books etc) as well as for broadband itself. Murdoch has clever schemes to wrap the payments into other services that will make it feel aspirational and valuable to pay a small charge for premium products.

Now I don't know if you find any of the above credible, but I do love the suspense. Love him or loathe him, this is a

man who can still keep us all on the edge of our office chairs.

Read my views in Media Guardian [here](#)

- Copyright © 2014 London School of Economics and Political Science