

Vice Age

How an irreverent group of Montreal raconteurs played by their own rules, figured out what the young folks want and became worth \$1 billion in the process. Also: they're just getting started
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PHOTOS BY BRAD BUNYEA

Like all revolutions, the oneraging in media and marketing today has been smoldering long before most people knew anything was afoot. Most of the drama, big talk and pitched battles flaring across the industry are the result of resistant incumbents refusing to acknowledge the need for fundamental changes for years. Dead men walking may enjoy, say, record profits for a while, but things will never be the same again.

And from such revolutions victors always emerge—those who see the patterns, assemble an army, build the allegiances and are in the president's palace before anyone even knows that the old guard is begging for their life.

Vice Media, the serpentine global youth company drunkenly launched as a black and white culture rag in 1996 Montreal so a founder could get an extra \$100 in welfare cheques by working in publishing, is the insurgent from whom we'll all soon look to for direction.

That's right. Vice. As in just *Vice* "magazine" less than a decade ago. The hipster bible, stuffed with raw, obscure but impossible-to-ignore stories about life inside a maximum-security prison and gun markets packaged side by side with high-end fashion shoots and porn reviews. And what reader will ever forget an entire issue handed over to writers with special needs and Down syndrome and presented as "The Special Issue"?

Given its raunchy pedigree, last April's investment of up to \$100 million by giant advertising holding company WPP, MTV founder and ex-Viacom CEO Tom Freston and private equity firm The Raine Group, surprised those not familiar with the creative, world-wide arms race the erstwhile one-time publisher was waging.

An anonymous poster on a Canadian news site summarized the industry's ignorance towards a media company that has grown exponentially, almost unbelievably, during the worst media economic landscape that anyone can remember.

"WPP investing in what has deteriorated into an American Apparel wank mag for adolescent boys. Interesting."

**“If Google is the next Viacom,
we want to be their MTV”**

—Vice co-founder and CEO Shane Smith



It's mid-afternoon on a sunny, mild December Monday in the Williamsburg neighbourhood of Brooklyn, New York, and co-founder and CEO Shane Smith is recounting his company's surreal history. The district, long hailed as the coolest piece of real estate in America if the yard stick is youthful creativity and collaboration (and the businesses that fuel such endeavours), has been Vice Media HQ for a decade.

The company limped here after a late-'90s U.S. expansion almost killed it off. They left Montreal when in typical and oft-repeated fashion, Smith let his baritone and persuasion chart the course for where his company needed to go next. While still in Montreal, he started yapping to whoever would listen that his magazine was on the block and everyone from Larry Flint to Rupert Murdoch was interested. He also strategically dropped the name of Richard Szalwinski, a moneyed magazine player at the time who'd helped *Shift* take on the U.S. market. If Szalwinski didn't have *Vice* on his mind before, he certainly did when he heard Smith's fake rumours.

Szalwinski bought the company based on a fabricated, arbitrary value of \$4 million, moved the *Vice* team in with *Shift* magazine in Manhattan and did a stock swap that ballooned the company valuation. As the tech bubble burst, the operation quickly started running out of money and Szalwinski stopped returning phone calls. He then sold the company back to Smith and co-founders Suroosh Alvi and Gavin McInnes (who left the company in 2008 and is now creative director at New York shop Rooster).

"That was a long time ago, man," says Smith, seated on a chocolate brown leather recliner in the company's boardroom on the first floor of a white-brick converted warehouse two blocks from the East River waterfront with jaw-dropping views of the New York skyline.

The boardroom's esthetic is 19th-century man cave that, say, Ernest Shackleton would have commissioned if he had the means of the Vice Media executives. A crystal chandelier hangs high above a paisley wall-to-wall carpet and dark wood panelling squares off the turn-of-the-century opulence.

But Vice being Vice, no office décor is complete without some sort of insane souvenir linked to a story that captivated its rabid audience at some point over the past 15 years. In this case, it's a stuffed grizzly that Smith says charged a Vice camera crew when they were shooting *Far Out* in Alaska a few years back, a documentary about an Inuit family living in the middle of an Arctic refuge.

"The magazine is less than 5% of our total revenue," growls Smith, bleary eyed from the previous day's flight from Los Angeles where he and creative director Eddy Moretti shopped their new independent film and photo project. The plan is for it to live as an online branded content community, joining an expansive network that Vice already curates and sells to complementary brands. They also met with the super-connected Ari Emanuel, their new talent agent, to talk about the new Bill Maher-hosted Vice HBO show launching this fall that Smith has been pitching as "*60 Minutes* for young people."

The subsequent Vice party at the Chateau Marmont in West Hollywood also resulted in plenty of earned media after guests started heaving bottles off the rooftop patio on to Sunset Boulevard.

Smith is fond of saying that he handed the magazine over to the interns years ago. It's a typically effective anecdote to demonstrate that these days, he and Toronto-raised Alvi and Moretti, are busy

following the money to where brands are spending it on Vice's verticals and platforms. Last month's billion-dollar valuation by *Forbes* magazine had to do with the verified statement by Smith that "if we don't answer our phones in 2012, we'll double—likely triple—in size."

CONTENT IS KING. PLATFORMS ARE PAUPERS

The jaunt to L.A. was indicative of where the revenue is today and where it's coming from tomorrow: a fast, aggressive build-out of high-quality, Vice-produced web video placed on branded websites that are part of Vice's global content network that spans art, technology, music and soon travel, food and whatever other interests the 16-34 demo identifies.

Smith isn't surprised by the recent froth among marketers that every brand should be a media brand. Recent industry reports by ad spend tracker PQ Media peg branded entertainment growth at 15%-plus over the next two years.

He says there is little that ad agencies can do to innovate and win market share if they keep doing what they're doing. The proof, he adds, is in WPP's investment last year.

"WPP is trying to get out of the wage-earning ghetto that is marketing, and getting into IP ownership and IP creation," says Smith in the piercing eloquence of an industry vet who appreciates the media game's chess-like strategy and its propensity for cage-match bluster.

Intellectual property for Vice comes naturally, says Smith, because the company produces for online consumption exclusively without the awkward conversion from TV products to online convenience. There are also none of the rights issues for proprietary video.

"So what happens is Ari [Emanuel] can take our content and say 'this is a TV show. Put that here, put this there' and every time we do that we get more money. He can put us on AT&T in mobile or he can put us in HBO on linear. He can package movie deals for us. We deal with a lot of great young directors and great talent and he can use his muscle to get them a good deal because they usually get screwed."

Given that Emanuel, CEO of William Morris Endeavor (WME), rarely represents specific clients anymore, the fact that he's directly handling Vice properties is a big statement on their perceived value in Hollywood.


But if traditional silver screens get him off, Smith is not showing it, preferring instead to discuss the broadcast networks of the future: Apple, Google and whoever else secures a beach head in the coming smart TV market.

"Google wants to be the next Viacom. They make no bones about it. If they're the next Viacom, we want to be their MTV."

The relationship is already well underway. "[Google] is giving us money to make channels," he says, referring to the Noisey music lifestyle channel on YouTube launched earlier this year. "And the scale we need... the hundreds of millions of eyeballs that we need to really get people excited."

Perhaps the most amazing, if not unique, thing about Vice is how prescient the company has been about its sole focus on content as a gateway to the end game: audience delivery to the right kind of brands.

"One thing we saw coming was that everyone was investing in platforms," Smith continues. "We were like 'You have to fill it with something and exclusivity is going to be your big differentiator because those [platforms] are all commodities and will be worth 99 bucks soon,'" he says. "But the reason you pay three



“We never aspired for objectivity. We leave things in that other media takes out”

—Vice co-founder Suroosh Alvi



THE VICE GUIDE TO TIME

Early 1994

Suroosh Alvi and Shane Smith meet

Late 1994

The two help launch *The Voice of Montreal* as a non-profit project for Haitian immigrants. Both co-founders are on welfare

1996

Alvi, Smith and friend Gavin McInnes take over the magazine after being owed money and relaunch it as *Vice*

1998

Richard Szalwinski invests \$4 million in the magazine which “wasn’t worth anything,” according to Smith

1999

Vice launches in the United States

2001

The magazine is bought back by the co-founders

2002

Everyone moves to Brooklyn

Record label launched (Vice Music)

Vice Books division released

2006

The Vice Guide to Travel released

Spike Jonze joins Vice Media as creative director for film/video division

Virtue ad agency launched

2007

VBS.TV launched for online video content

Heavy Metal in Baghdad released to critical acclaim

2008

Co-founder McInnes leaves the company over “creative differences.” He eventually becomes CD at NYC agency Rooster

ADVice launches

2010

CNN partnership launched

The Creators Project partnership with Intel deployed

2010 - 11

The Vice Guide To Everything airs on MTV

2011

Online music vertical Noisey.com launched at South By Southwest

Vice.com launches September 15, 2011, consolidating digital properties Viceland.com and VBS.TV into one online destination

2012

Forbes values Vice Media at a billion dollars

Vice HBO show scheduled for release in the fall

grand for Apple versus \$99 for an Acer is because of all the shit you can put in there.”

The future then, as far as Vice is concerned, is audience. Thing is, platforms don’t build audience—content does. “So that’s what we saw: Just start making content. Make piles of content. Make shitloads of content. Music, fashion, food, fucking booze, news, do whatever the fuck you can because all of it is going to be worth money.”

The CEO is excited when he hits this part of the sermon: the revelation that Vice’s predilection for “making shit” has become his company’s main revenue source.

Vice’s tenure as a cross-platform storyteller means they’ve juiced the content ecosystem so that, as Smith puts it, “We get paid by everybody now.”

“Everything we do has a core fundamental editorial reason to exist,” says executive creative director Eddy Moretti, explaining the shelf life and magnetism of his company’s storytelling. “And when you have a bundle of good stories, you start expanding what’s possible.” Vice’s diverse proprietary distribution channels only help.

He gives the example of recording artist Karen O who is part of the three-year-old Creators Project, a massive global workshop underwritten by Intel that spotlights how art intersects with technology, and pitched by Smith as a “Paris in the ’20s” concept where artists work together and create unique properties as a result.

“Her ‘Stop the Virgens’ project is her first solo record, a crazy psycho opera with costume changes. We produced the show,” Moretti says, referring to the Brooklyn waterfront event attended by 200,000 people in October.

“All these sketches and props from the show can be a book,” Moretti continues. “It will be a record, a recreated live performance, a movie, and a making-of web video maybe.”

Moretti, although not a founder, has been with Vice since 2000 after completing a film degree at the University of Toronto and another from NYU Film School. Smith rarely attends a meeting without his ECD at his side.

If Smith and Alvi cut the deals and chart Vice’s global direction for content plays, Moretti is the one who makes it resonate with clients and audience by choosing the right channels and partners for each project. He counts film director and creative dynamo Spike Jonze among his closest advisors. Alvi calls Moretti a creative genius who’s “scary-good at closing deals. I’ve never seen anything like it.”

THE DAY INTEL KILLED IT WITH THE KIDS

These days, Moretti’s tending to Intel, Vice Media’s most lucrative client, which is gearing up to significantly build on the co-produced Creators Project. Given that Vice’s 2011 earnings were \$110 million with three branded verticals making up the majority of revenue, it’s easy to see how much Intel—the largest of the online verticals by far—spends to stay part of the conversation. Late last year Intel chief marketing officer Deborah Conrad told *Forbes* that her company will spend “tens of millions of dollars over many years” with Vice.

“We weren’t connecting with young people,” says Dave Haroldsen, who works for Intel’s global partner marketing team and serves as creative director on the Creators Project. “We needed a partner that could tell our story in a unique way.”

Six years ago he was trying to figure out a branded content play for Intel when its agency, McCann Erickson, “brought it these young dudes.”



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—Vice executive creative director Eddy Moretti

"We pitched it to our CMO at the time and nobody got it. [Vice] seemed too crazy, too dramatic." With Conrad in the CMO chair, Haroldsen floated the idea again. "We instantly got each other. It was a rare moment," he says.

Another rarity in their relationship is that no one else is involved—not another ad agency, no media buyers.

"It's us two. Which is the only way this thing can work. As soon as you bring in other people it changes."

Vice has fundamentally changed Intel's approach to working with marketing partners; partnerships are more streamlined now and vendors are expected to offer integrated, cradle-to-grave solutions that benefit them as much as Intel.

"This was completely rare and has never happened at Intel, but is now the blueprint of success that everyone wants," Haroldsen says.

"I've done enough projects with enough agencies where the effort equals the dollar amount. With Vice, you don't stop fighting to make it work until it does."

Another first for Intel: the Creators Project is one of their longest-running campaigns ever, as well as its most involved in terms of platforms, ranging from live shows, web streams, books, record deals and online communities (for starters).

AGENCY COLLABORATION IS NOT PUNK ROCK

The DIY approach of working directly with marketers is perhaps Vice's least-promoted ability, if only because it's the way things have always been done.

When asked how Moretti deals with client requests to collaborate with agencies on projects, he seems surprised.

"We're a media company but we have content production capabilities around the world so why wouldn't we just have a single conversation? We didn't believe that parsing off the work to different departments was the way to go. Things tend to die a death by a million meetings."

Smith echoes the sentiment. "People fuck up by running their company through focus groups. It's a deeply, fundamentally flawed system," he says. "If you look at some movies, you ask, 'How did this get made?' It got made by 1,000 people pissing on it."

Suroosh Alvi, who handles the editorial and news reporting side of Vice content, says that his stories are valuable for their authenticity and honesty. And you don't mess with that.

"We never aspired for objectivity. It was always 'express your opinion and substantiation is good...' We leave things in that other media takes out." He gives the example of how, in Vice's news documentaries, the hosts dive right into the action.

"In Iraq, for example, American mainstream media outlets send their local stringers out into the field and just do stand-ups behind the walls of a safe compound," he says, his eyes drooping in disappointment. "I mean, why even go?"

Equally curious is how Vice executives worth tens of millions of dollars are walking minefields and binge-drinking in radioactive zones for the sake of a story. "It's what makes Vice, Vice," Alvi shrugs. "[Shane and I] always wanted to travel and now have the means to go so we'll go."

And pressure from investors to, you know, not die? "[Ex-Viacom chief] Tom Freston always talks travel and adventure with us. He's like: 'Tell me about Afghanistan. You have to go to Congo.' He knows our need to get the story and it's why we're partners."

It's an esthetic and curiosity that has percolated throughout Vice's global operations—currently sitting at 850 full-time employees in 34 countries.

The underplayed global reach is also a massive jet engine strapped to the media company's back.

The tastemakers and contributors that Vice hired and indoctrinated over the years as a magazine publisher can today create global content without so much as an extra zero or two on the client contract.

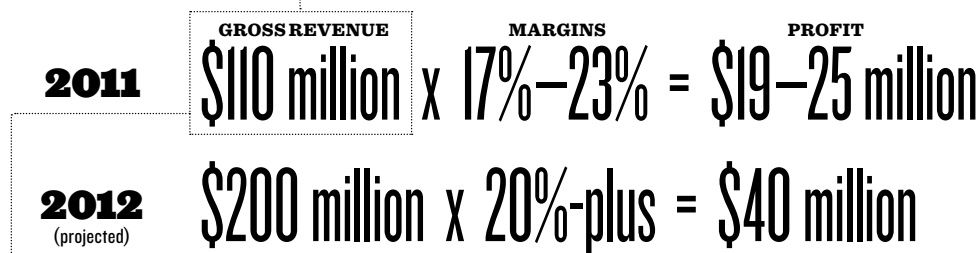
The company's largest office is opening in China as you read this, complete with almost twice the video production capability of the Brooklyn office. And it just so happens that a recent eMarketer report claimed that online video viewing in that country surpassed TV audiences last year.

India, with the fastest-growing mobile market on the planet with more than 800 million people with cellphones and more than 10 million signing up each month, will be Vice's mobile lab. Given that the company only has an ordinary Do's & Don'ts photo app in the App Store, this is virgin and wildly lucrative territory.

And, like all effective insurgents, its international conquest is calculated and with lots of backup.

"As we bring the Creators Project into China and Korea, we're the cool company there," says Intel's Haroldsen. "Vice is just taking off there, so we were able to lend them our name brand to help them grow. It feels good to be cooler than Vice for once." ■

WTF? THE NUMBERS BEHIND VICE MEDIA'S BILLION-DOLLAR VALUATION



Forbes' valuation is based on numbers typical in the digital media sector, which tend to be aggressive. Vice Media's valuation is approximately 5x its projected 2012 revenues and 9x its confirmed 2011 revenue. By comparison, Facebook's reported multiple being sought for its IPO of \$100 billion is 20x its 2011 revenues, *Forbes* contributor Jeff Bercovici told *Marketing*.

"Ultimately, it comes down to what a buyer will pay or a public market will support. Considerations such as a high growth rate and a consistent trajectory of profitability, both of which Vice can demonstrate, factor in," he says. "So does the extremely strong demand right now for premium video content, Vice's specialty. In the end, if Vice does indeed do \$200 million of business in 2012, a \$1-billion valuation will be quite attainable."