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Last year was Gannett's 100<sup>th</sup> anniversary. We celebrated by implementing a new strategic plan to radically transform the company for our next century. I'm here today, just over a year into our transformation, to share some thoughts on the challenges facing the media industry, and to give you a sense of how Gannett is meeting those challenges.

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If you think back just ten years, the media landscape was completely different. The number of video channels and information choices in any community was dramatically smaller than it is today. Newspapers accounted for nearly half of all U.S. advertising spending.

Most importantly, the Internet was just emerging as a commercial and cultural force. Yahoo and Google were just launching, and Google had not yet discovered advertising. But even in its early stage, the Internet was everything that our national, one-way media ecosystem was not. It was decentralized, controlled by users, and driven by discussion. Barriers to entry disappeared – a user could go to start-ups such as Yahoo or Drudge just as easily as they could go to online media pioneers such as our own [USAToday.com](http://USAToday.com).

We all know what followed – disintermediation, disruptive innovation by a new generation of Internet entrepreneurs, and disappearing audiences. Our customers suddenly had more choices – and they took them. Increasingly, advertising dollars have followed these audiences.

The industry was late in recognizing the fundamental shift to digital platforms – but we all see it clearly now. Our future lies in capturing the value of multiple platforms. In the third quarter of 2007, print advertising revenues for the newspaper industry declined 9%. But the industry's online revenues grew 21% during the same period, and many of Gannett's online ventures are growing at much faster rates. Of course, the percentages only tell a part of the story. The industry's Internet revenues were estimated at \$773 million in the third quarter. But the industry's print revenues for the quarter, even after the 9% drop, were still \$10.1 billion.

So you can see the challenge: How long until the lines cross?

Some see this as a crisis. At Gannett, we see it is an opportunity. The potential for growth in the digital space is spectacular. To capture that growth, we will have to be innovative, nimble and customer-centric.

Our core as a news and information company with both national and highly local footprints is the springboard to growth on our new digital platforms. USA Today is the nation's largest-circulation daily – its circulation

recently grew to almost 2.3 million. We operate one of the largest television groups in the country, with 23 network affiliates in markets such as Washington, D.C., Atlanta and Denver. Along with USA TODAY, we publish 84 community newspapers and approximately 1,000 non-dailies in markets such as Phoenix, Indianapolis and Cincinnati. And we publish 18 daily newspapers and 300 weeklies in the United Kingdom.

And we are investing heavily in our digital future:

- We publish hundreds of websites, mobile sites, podcasts, RSS feeds, widgets and other new media. USAToday.com is one of the top news sites on the Web, and we have a deep and growing online presence in more than 100 communities across the United States – more about that later.
- We work together with other companies, including Tribune, McClatchy and Microsoft, on national and global web ventures, such as CareerBuilder.com, Metromix, Classified Ventures, Topix, ShopLocal and others.
- We own entrepreneurial new-media companies such as PointRoll, one of the leading rich-media advertising companies on the Web, Captivate, and Planet Discover.

Under our new strategic plan, our team is building a robust, international digital business. Our new digital business is based on our core values of service to our communities, watchdog journalism and the First Amendment. An August 2007 story in Wired Magazine summarized our efforts by saying that “Gannett has emerged as the first big publisher to attempt wholesale reinvention of the newspaper. Gannett is shifting staff into new positions and investing in new technologies.”

We are, of course, strengthening not only our digital ventures but our core publishing and television as ventures as well. These businesses have tremendous value to our communities and customers. In fact, we recently surveyed readers, and 98% told us that they hoped to be reading our newspapers five years from now – and that they will read our websites in addition to newspapers, not instead of them. We are innovating in how we serve our readers and viewers, whether by finding new ways to reach valued audiences for weekend circulars in our Sunday Select program, by launching niche publications for the benefit of underserved audiences, by providing stunning high-definition local newscasts, and by creating new local television programming from Maine to Minneapolis.

The most dramatic change, however, has been on the digital front. In May 2007, we completed the process of changing all of our newsrooms into Information Centers, and we’re now working on Version 2.0. It has been extraordinary to watch the enthusiasm of our teams across the country implementing this change. One story about us said that this was “Gannett’s biggest gamble” since launching USA Today and “the biggest transformation” in

our history, and I think that's on the mark. This is not just a name change – it's a completely new architecture for gathering and publishing news and information. Here are the basic concepts underlying this shift:

- We are delivering news and information *where* customers want it, *when* they want it, and in *whatever* medium they choose to use. It's not just at the end of your driveway, or in a television newscast – it's on your browser, your phone, your Blackberry, your iPod, a widget on your Web page, and it will be on whatever platform you want next.
- We are breaking news on the Internet, and updating for our newspapers and newscasts. Our news cycle is 24/7.
- We are using the full capabilities of the medium – our reporters are creating multimedia stories, engaging with readers in forums, blogging, and using new journalistic techniques such as crowd-sourcing and engaging citizen journalists.
- We are serving our local communities with a strong investigative and watchdog journalism orientation. We will use our new digital tools to strengthen this important role.
- We are becoming hyper-local in our coverage, particularly online. We have launched hundreds of microsites – news operations covering communities down to the county and neighborhood level. In Cincinnati, for example, we have more than 200 neighborhood sites under the banner of the Enquirer.
- We have broken the traditional monologue of journalism. We have replaced it with an ethic of participation. We are embracing user-generated content. We are creating social networks at USA Today and rolling these Web 2.0 features out to more than 100 Gannett markets so that readers and viewers can interact with one another.
- We are using our national scope to better serve our local communities. Silos between our divisions are coming down, and cross-divisional teams are being built up.
- We are finding innovative ways to give readers access to raw data and information. This means that we will be the core information hubs for our communities. This can start with the everyday information that is important to everyone – schedules, calendars and other data. But it also includes more groundbreaking uses of data. In Florida, for example, we obtained massive amounts of FEMA aid data through Freedom of Information Act litigation, and we made that data meaningful to our readers in a searchable database.

- We are creating a culture of innovation at Gannett. We have smart and sophisticated people, and freeing them to innovate results in new ways to serve our audiences.

As you can tell, we are making a lot of fundamental changes. But it is worth focusing for a moment on what we are *not* changing.

First, we are maintaining our long-held ethic of local editorial autonomy. Local editors know how to serve local communities – that’s where local editorial decisions always have been made at Gannett, and that’s where they will stay.

Second, we are maintaining our core mission to increase the diversity of our workforce – in fact, we are strengthening it. We cannot be truly customer-centric in our local markets if our workplaces are not balanced with the community. We crossed an important threshold this year – 20 percent of Gannett newspaper journalists are people of color, the highest in the industry. We all have far to go, but I believe we will achieve balance.

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So, is our strategic plan working? Online revenues are up. Page views at our websites are up 30% to last year, and time spent on our sites has grown more than 26 percent. This is a good start.

Our initiative to foster innovation is translating directly into better local community service. As just one example, one of our teams in Indianapolis responded to the need for mothers to have trusted social networks by creating Indymoms.com, a local moms site. The response, from both the user community and the advertising community, has been fantastic. In less than a year after the launch of Indymoms.com, we launched local moms’ sites in 55 markets across the country. Last month, we had 8,000,000 page views and 600,000 unique registered users. These sites are turning out to be important venues for local self-expression, not only on day-to-day issues such as daycare and cooking, but on life-changing issues such as grieving after miscarriages, single parenting, and many others.

All of these initiatives mean that our service to local communities is being reinvigorated. We are listening to our readers – and responding. For example, we’ve found that many of our customers think local community and high school sports are just as important as professional sports. We’ve launched new high school sports sites across the country, and we’ve acquired a controlling interest in HighSchoolSports.net, one of the top companies in the country for sports statistics, data and information sharing. We’re combining user-generated content with our own professional content in really interesting ways. We’ve also found that entertainment news is highly valued in our markets, particularly among younger Internet users. We’ve partnered with Tribune to roll out a new local-national digital entertainment vertical called Metromix in our markets.

We’ve also learned that our customers expect multimedia. Our television journalists have gone to each of our newspaper markets to train our

newspaper journalists to shoot and edit video. Our newspaper in Wilmington has a regular broadband newscast, which fills an important gap in a market that is overshadowed by Philadelphia and has no local television station. In Phoenix, we now have more video cameras on the street – in the hands of Arizona Republic reporters – than all the television stations in the market combined. Just last month, we launched a new video network that will allow us to manage and share video streams across 150 local sites across the country. We now serve millions of video streams per month.

We're also learning how to be more customer-focused in serving the advertising community. We're shifting from selling products – 30-second television spots, half-page display ads – to selling demographic audiences and aggregating products. For example, an advertiser seeking women from 25-34 might be offered a combination of print, video, social-networking and magazine media. We are partnering with advertisers, understanding their business plans, and helping them achieve their goals. We also are working on launching a national open online advertising network, along with others, so that national advertisers can finally have one-stop shopping for news websites across the country.

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When you look at the total picture, it is clear that we're facing more competition than ever. We're responding by competing harder and more creatively than ever. We hope that Washington policymakers also can see how dramatically the marketplace has changed. Rules adopted in the 1970s that restrict the ability of companies to determine the right mix of media to best serve local communities don't have a place in the new landscape. Policy at all levels should recognize that we compete with all media, all the time – local, national and international – and our toughest competitors often do not have the regulatory constraints that we have.

Out of this competition has come a new diversity in choice for our customers, and expanded service to our communities. This responsiveness to local audiences, always a hallmark of our operations here at Gannett, is increasing our focus on localism and community service. In our broadcasting division, we have replaced some syndicated product with expanded local news and public affairs. We are experimenting with merging online discussion with local television programming. Our hyperlocal focus in both newspaper and television markets is permitting expanded opportunities for local watchdog journalism and local self-expression by our readers and viewers. Localism is more than just a value to us – it's good business, and a key to our transformation.

Transformation is never easy. We are doing more with less, and we are realizing efficiencies all across the company. But I have every confidence that the new Gannett will be a stronger and more innovative company. The killer application will be our core strength: exceptional news and information, reported

with credibility, authenticity and commitment, across all digital, video and print platforms.

For one example, you could take a look at our small paper in Alexandria, Louisiana, *The Town Talk*. This paper started covering the Jena 6 story in September 2006. By the time the national media focused on the story, the *Town Talk* had run more than 100 stories – not only with words and images, but audio and video. The *Town Talk*'s reporters understood the story because they've always covered this community, and they can provide context and nuance that no one else can. This is what local media can provide better than anyone in the new-media marketplace. The editor of the *Town Talk* speaks of his reporters being "invigorated and filled with a sense of purpose."

This sense of purpose keeps our teams going when they're working hard on the transformation. As another editor said, "We are passionate people. That's what makes us different than employees at other companies. It's that promise." She had a term for it: "What we do matters."

That dedication to the spirit of the First Amendment and to serving our communities is something I see every day across our company – not only from reporters and editors, but also from our people working in digital, advertising, programming and management. Our commitment to serving our communities and customers will be the enduring value that will help us succeed in this transformation.

I'd be happy to answer questions.