



**MEDIA RELEASE**

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Good morning.

Today I want to talk about a tipping point that heralds the most exciting era for journalism. The most exciting era ever.

This tipping point is already upon us. It has arrived at lightning speed, with the explosion in demand for mobile devices.

I am not consigning newspapers to the scrapheap. Not by a long shot.

But this tipping point is going to change journalism forever. In my opinion, very much for the better.

My contention today is a bold one. If I am correct, it will make newspaper publishers more successful than ever.

My contention is this -

We have the opportunity to move from setting the agenda each morning....to actually owning the agenda. All day. Every day.

We have a chance to attract more readers, viewers and listeners than ever before. In ways we never thought possible. Because until now, they weren't possible.

The editorial stars of this new age will be those who are innovative, creative and entrepreneurial.

They will be the ones who:

- really understand what their audiences want;
- know how to exploit the new technology; and,
- can put the two together to create and publish content people will pay for.

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Traditional newspaper publishers, far from being threatened by technology, should be capitalising on it. Newspaper proprietors, managements and editors have a responsibility to take their editorial staff on this new journey.

Journalists themselves have a unique opportunity to get involved. If they are willing to seize the opportunity, they will see how exciting and rewarding this journey can be.

This means changing almost everything we do. It means:

- Reconfiguring our newsrooms
- Re-skilling our editorial staff
- Identifying the most creative and entrepreneurial people and
- Giving them the tools and the autonomy to be adventurous and truly innovative

Instead of assuming that our scale and market power is unassailable, we have to start thinking like an entrepreneurial start-up.

It's no longer just size that matters. It's our agility.

Content will be king, but producing the best content won't be enough on its own.

Being first to market is a necessity, but it won't confer advantage for long.

We need to be first - with the best – continuously. First with the best content. Every day. Embracing the latest technology as it hits the market.

Last month the CEO of Google, Eric Schmidt, told a group in London:

*"the internet is the most disruptive technology in history, even more than something like electricity, because it replaces scarcity with abundance."*

What he means is abundance of choice. Instead of a few newspapers, TV and radio stations we can now choose from thousands of media sources.

At a recent News Corp conference in California, we heard from two young guys straight out of Stanford. In less than three months their Pulse News Reader has become one of the most popular news apps in the world.

They are aggregators – they're profiting from other people's content. But they are kids who recognised an audience whose needs were not being met by mainstream media.

This kind of home-grown innovation is why, with the greatest of respect, News no longer regards you as our primary competition. Our competitors are people who are challenging journalism aimed at mass markets. And replacing it with well targeted, low cost, specialist news and information services.

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Our competitors are anyone who can satisfy an audience need with a richer experience than traditional media has been willing or able to provide in the past.

It is already clear that reading news will move to digital devices quite quickly. The effect of mobile devices on media consumption - particularly smart phones and now the iPad - is staggering.

Among young people, the internet and mobile devices has prompted a huge increase in their consumption of media. They now spend over seven and a half hours every day consuming media of one sort or another.

The uptake of these devices is occurring at an exponential rate.

- It took 608 days to sell one million iPods.
- 74 days to sell one million iPhones
- And just 28 days to sell the first million iPads

The iPad has now passed four million sales worldwide. And we haven't yet seen the myriad of Android, Blackberry, Symbian or Windows based tablets that are coming to market.

Some predict that 11 million tablets will be sold by the end of this year. And that Apple alone will sell 50 million iPads by 2012. Whatever the number is, it is seriously changing the game for all of us.

Within a decade, most Australians will own a smart device of some sort.

Some believe this is terrible news for publishers. That if people are on mobile devices, they won't be reading newspapers and that we are all doomed. I disagree.

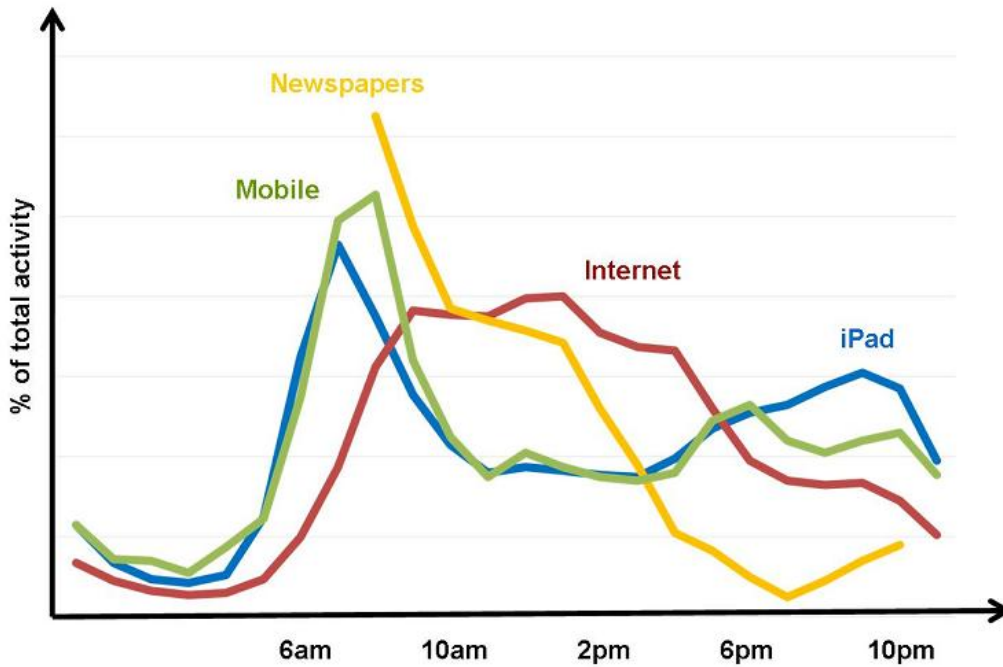
The demand for news is greater than ever before, and rising rapidly. In a world where we are exposed to more and more information, people are looking to credible sources to help them make sense of what is going on and what it means for them.

Mobile devices offer us an opportunity to reach more people, more often and with more relevance than ever before. As I said before, they allow us to move from setting the news agenda each morning to owning it all day.

Let me show you what I mean.

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This graph shows newspaper use during the course of the day. As you would expect it peaks during the early morning and then falls off through the day. Newspapers set the news agenda each morning. It is then picked up and carried through the day by radio and television.

Now let's overlay how people consume news on the internet. As you can see, internet use is highest during the day and peaks around lunchtime.

If we look at how people consume news on their mobile and the iPad, usage begins first thing in the morning – literally when people wake up. It peaks on the commute to work. It drops off through the day. And picks up again on the commute home. And continues to rise right through to bedtime.

When you add all of these together you can see the scale of the opportunity. These mobile devices allow us to reach our audience from the moment they wake up to the moment they switch off the lights.

Owning the news agenda all day is a massive ambition. One we've never been able to pursue before. But these devices will allow us to do exactly that.

And there is another revolutionary element to these devices.

People are willing to pay for the content.

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There are already nearly a quarter of a million apps in Apple's app store which have been downloaded more than five billion times. But here is the interesting part - just 25 per cent of those apps are free.

App developers Pinch Media found that lower-priced applications are NOT downloaded more than higher-priced apps. The number of downloads is not linked to price.

Apps that sell for 99 cents are not downloaded substantially more than apps that sell for \$4.99.

Apps that people pay for are used more often and for longer periods than free apps.

Even pirated apps are not used as much as apps people pay for.

It seems that people who don't pay for apps don't use them as much because they don't value them as much.

So, in the app world, people value quality content, are willing to pay for it, and appreciate it more, having paid for it.

This is exactly the experience we have had with our iPad app for *The Australian*. We rushed it out after being asked to partner Apple in the iPad's Australian launch. We had six weeks to get it up and running. What we launched was very much version one point oh. It was based on RSS feeds, had limited editorial content, no galleries and no video.

And yet, sales exceeded our expectations. Most of the feedback we're getting about *The Australian* app concerns content. There are far fewer criticisms about functionality. And people accept that it has advertisements. Although, in future there will be better and more creative ways that ads can, and will, be integrated into the app.

For our readers, it is all about the content. The upgrades we've made, and continue to make, are focused on content. And the user experience of reading that content.

We sold 8500 apps in the first month. Some chose not to re-subscribe after the first month, as we expected. But many more have resubscribed, and continue to do so. And we're selling hundreds of new subscriptions every week.

We sold an incremental one million dollars worth of advertising at launch. And we have just begun the second round of advertising which should net us even more. All this while *The Australian's* content is available for free, through the iPad's web browser

So, what does this tell us? That people will pay for convenience, speed and for someone to curate content for them.

That word – curate – turns up a lot when people talk about apps. Until very recently I found that word slightly insulting. To my mind a curator was reminiscent of a librarian, someone who looks after content.

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I come from the school where we proudly called an editor an editor. But the notion of a curator is distinguishing the job we're doing with content today. With the job we're going to do in the future if we're going to win in these other channels.

Our job will be to create and edit content. But equally, to curate content. By this I mean that we will need to become adept and adroit at producing and harvesting content in surprising and interesting ways, that are best suited to the platform it is on – print, web, tablet or mobile.

User experience is everything. We have to provide the best user experience.

So what do newspaper publishers and journalists have to do in order to own the news agenda every day?

Firstly we have to get over ourselves and recognise this is an opportunity, not a threat

Two weeks ago a paper was published showing how content producers have always declared the sky is falling every time new technology comes along. The author called it the Chicken Little syndrome.

Artists in the 19<sup>th</sup> century complained that photography would replace the need for portrait painting, their bread and butter. In the early 20<sup>th</sup> century piano players were up in arms about the gramophone.

But, of course, the doomsayers have been wrong each time.

Radio didn't destroy recorded music. Nor have audio cassettes, MP3 players or file sharing. Cable television didn't destroy regular TV. The photocopier hasn't destroyed books, and nor has the Kindle. The VCR hasn't put cinemas out of business. DVRs that allow you to skip ads haven't ruined commercial television or advertising.

What they have all done is change the business model of the industry. They caused certain revenue streams to decline, but they also opened up many new ones.

Secondly we have to think of ourselves not just as media companies, but as media and technology companies.

In my view the lines between media and technology will continue to blur until they are almost indistinguishable. I don't mean that we're going to start building devices. But we are going to have to get much better at developing digital products.

Our editorial staff have to be genuine partners with our technologists. They need to treat each other as equals. So that editorial staff – journalists, photographers, artists and designers – work hand in hand with our developers to make the most of each platform.

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We didn't do this with our websites and it shows. The experience we have offered online is too similar to what we offered in print. Too static. We haven't maximised the potential of the online news experience. We haven't conveyed the personality of our individual brands. Nor have we been able to replicate online the serendipitous nature of newspapers. Where readers are encouraged to delve further and further into our content.

And in chasing Google traffic – which we later learnt it wasn't worth it – we had to forgo great headlines in favour of SEO.

All of this is why people spend so much less time reading news online than they do in print.

We must get the reading experience right on mobile devices. Because, as we've seen, if we don't, someone else will.

Thirdly we have to think carefully about how we tell stories on these different platforms, and play to the user experience of each. We can't just create the content once and then cut and paste.

Storytelling must be different on each platform.

On websites it means thinking about what stories will be in front of the pay wall and what premium content will sit behind it.

On the smart phone it means snacking; headlines, sports results and snapshots of what's happening.

On the iPad it means changing the way we tell stories and becoming more visual in our storytelling. Consumers are more visually literate than ever before. These devices maximise the visual experience

Video is a key part of it, but it is not everything. Anyone who thinks our destiny is to become a TV network is mistaken.

Photos, cartoons and artwork come to life on the vibrant screen, and can be animated and interactive. Charts and graphics offer a new and potentially stunning way to impart information and help our readers conceptualise data.

This is not just about breaking news - every part of the newspaper can be enriched, including the set pieces between EGN and sport.

We also have to become more customer focused. As we are seeing with the Pulse news reader, anyone can identify a customer need and meet it.

Earlier this year News undertook its biggest ever audience research study. It took several months to do and six weeks to analyse. It is without doubt the most valuable research we've done. It has given us completely new insights.

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And if you think I'm going to tell you what's in it, then you're mistaken – we don't give our content away for free!

One clear message though, is that our readers want much more information, analysis, solutions and outcomes. They want us to follow the story as it progresses, to see it from start to finish, and to explain what it means along the way.

We're also learning valuable lessons from our sister publications overseas. The readers of *The Times* and *The Sunday Times* in the UK have told us the five things they love most about the new websites now they are behind a pay wall

They are -

- Sport reports, analysis, podcasts and interactive graphics which have set a new standard in online sports coverage;
- Spectrum galleries with extraordinary images from the frontline of life;
- Live chats with key columnists and journalists such as Jeremy Clarkson and A.A. Gill;
- *The Sunday Times'* culture planner which recommends books, films, shows, exhibitions and TV shows and allows you to book tickets or remotely record your favourite programs;
- And they love the latest breaking news on *The Times* website.

And we have yet to make the most of online analytics to get a precise understanding of how our readers navigate our mastheads

Finally, and most importantly, journalists have to become more entrepreneurial. They have to unleash their creativity and realise the potential in front of them.

This isn't easy, and time isn't on our side. There are too many creative and talented people around the world who are ready to encroach on our turf.

Look at what others have already done with the iPad. You can point the thing at the night sky and an app will tell you which constellations you're looking at. The Commonwealth Bank has an app which tells you everything you need to know about a property just by pointing your iPhone at it.

I want to see the same innovation coming from our journalists, photographers and artists.

For example, each of these devices is GPS enabled. What if we delivered stories – and advertising - that were relevant to where you are? *The Australian's* coverage of elections could be different, depending on which electorate you are in. If you wanted the *Herald Sun's* analysis of the big match, we could tailor content depending on whether you were in Carlton or Collingwood.

The iPad is not yet five months old. We have barely scratched the surface of its capabilities. We have to get ahead of the curve and think about what may be possible in one, two, five years time, not just what is possible now.

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The creativity is in the newsroom, not on the managerial floor. We need to unleash the creativity of our people and let them loose.

I know that the next phase of our evolution is going to be rough. We've been through a lot of change, but that will be dwarfed by the change ahead. It will be a bigger and more complex transition than any fundamental technology change that has occurred in the past.

But no other media company in the world is as committed to the future of journalism as News Corporation. News is a company with a history of placing big bets on profound changes in the industry that can sometimes take a long time to see a return on investment.

As I said before, moving from setting the agenda every day to owning it all day, every day – wherever you are - is a massive ambition. But I don't apologise for setting the bar so high.

Mobile devices have given us a golden opportunity. Don't misunderstand me – I am not giving up on print. Our newspapers will continue to engage with mass audiences for years to come.

But technology has given us new platforms which enable us to reach our readers wherever they are at any time during the day. And we can do it in more exciting ways than we ever thought possible

The challenge for journalists is to seize the opportunity.

The challenge for management is to create the right environment for them and then get out of the way.

I don't think we've ever had a more exciting or rewarding future in prospect than the one that now awaits journalists with the right creative spirit and entrepreneurial flair.

I wish I was starting out all over again.

Thank you.

End.

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