

**REMARKS OF DAVID KIRK  
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**FAIRFAX DIGITAL MEDIA INNOVATION CONFERENCE**

**SYDNEY**

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Good morning

I am delighted to be here this morning to help Fairfax Digital launch this conference on online media and innovation.

The issues and contours of what you will discuss over the course of today are on my mind every day – because how we rise to them, and how we manage them, are the difference between success and failure; between achievement and mediocrity.

We will only be successful as a multimedia company if we are innovative. And I want to explore these issues this morning at the outset of the conference.

The classic definition of “Innovation” is straightforward:

"The process of making improvements by introducing something new."

Innovation is often thought of in a context of the *new new* – the businesses and technologies you are in. They are not often considered in the context of the old – automobile companies, or petroleum companies, or mining companies, or in Fairfax Media's case, if you want to go back 175 years, the *old old*.

But I want to tell you something: this company has never felt younger, more spirited, more energised, more focused and more determined – and for a media company, an old media company, that is pretty good news. Not enough to stop the presses, but perhaps enough to get this conference on the road this morning.

One factoid for the endpoint of my argument:

The Sydney Morning Herald, today, reaches more readers than it has ever before in its history. It is more dynamic and more relevant, than ever before in its history. The SMH reaches about a million people per day in print, and another half a million online here in Australia, and another 250,000 overseas.

Pretty good for a masthead that's 175 years old. And it is just one masthead as part of a company with over 300 mastheads, and which, in its online editions, is part of Fairfax Digital, which, taken as a whole, in January, had over 9.3 million Unique Browsers – a year on year growth rate of more than 30%, with

over 656 million page impressions a month, and 23% of total time spent online by Australian Web Browsers, more than on any of the other publishers' sites.

The key to our success is innovation – the transformation of Fairfax from print publisher to a multimedia company.

This has involved strategy, execution, and continued integration and collaboration of our businesses across the board.

I want to talk a little bit about that strategy and our focus, and especially what it means to be an innovative digital company in the 21<sup>st</sup> century – something I believe all of us in this room aspire to be.

From the beginning of my time with Fairfax two and half years ago, I outlined three cornerstones of our strategy:

First, to defend and grow our newspapers. They are the cultural core of the company – the touchstone of our identity and values. We invest in our newspapers, we reshape them, we bring in new sections and, innovations, all designed to ensure that our publications are connected with their audiences and readers. It is this connectedness between a newspaper and its readers that I believe is at the core of their success.

Our success defending and growing our newspapers is measured by the increases in circulation and readership that our print mastheads have been enjoying. They are, in the main, growing. This goes sharply against the downwards trend in many other countries, including the United States. There, all they see is a dimming horizon for print. Here, we see growth and opportunity. So yes, we proudly defend and grow our newspapers.

Second, aggressive growth online. You don't need a commercial for Fairfax Digital. But we are the #1 news and information online network in Australia. We are particularly proud that we own 100% of our online positions across-the-board. We believe this is the most potent array of internet assets in Australasia, and we believe this portfolio commands increasing regard from our peers overseas.

Three years ago digital earnings contributed less than 2% to our earnings. Today, including Trade Me, this is well into double digits of a much bigger company. Analysts project it will grow to almost 20% within a couple of years. Digital earnings are a high growth engine for our future.

This is part of a larger strategy of diversification and growth.

The third priority in our strategy is to be a leading digital media company fit for the media markets of the 21<sup>st</sup> century. In discussing this aspect of our strategy with our staff, this has been the most indistinct to them. It feels good, like Bill Clinton's famous Bridge to the 21<sup>st</sup> Century, and Kevin Rudd's Fresh Ideas – so it gets a nice reception but it is more out there for the future than something that guides day-to-day business.

This morning, I want to flesh that out a bit for you – to outline my thinking on the elements of what it takes to be a digital media company for the 21<sup>st</sup> century. I shared this with our top 190 executives yesterday, and I'm happy to present it to you today.

Firstly content: An unrivalled capability in digital content origination and aggregation. I say very consistently that we are a content company. It's our fundamental history and heritage and it is both what we are and what we want to be.

We are continuing to build on what we believe today, in this part of the world, is an unrivalled capability to create content. I often say digital content, but everything is digital content today. Much of what we produce might get distributed in a printed or physical form, but it's all digital before we choose to put it on paper.

In print publishing, our content origination is for our metropolitan newspapers, regional newspapers, and community newspapers. The latter are not to be neglected: local news and information is still a big driver of audience and readership and it's totally unique.

So that's general newspapers. Then there's business and financial news. We produce unique content everyday through the AFR, a range of magazines and Afr.com. Business and financial news is one of the fastest growing segments in the world and we lead those markets in this part of the world.

Content is not just in text and photography.

We are also rapidly developing our capacity to produce video and audio content. The acquisition of the former Southern Cross Broadcasting radio station brings audio content. In addition we originate audio and video content associated with our news and lifestyle websites. We're building this every day. Less than a year ago, we had about 800,000 video downloads per month. Today, it is over 5 million.

We have four video production studios in our new Pyrmont office: on the *Sydney Morning Herald* floor, on the Fairfax Digital floor, on the Fairfax Business Media floor and a bigger one for everyone to use on the ground floor. Creation of video and audio content will be a bigger and bigger part of what we do.

The second important attribute for a digital media company to be successful in the 21<sup>st</sup> century is the ownership of powerful multi media brands that drive an extension of audience reach.

The ability to build multi media brands over time – be it the SMH, The Age, AFR, The Land, Domain, MyCareer or Drive, to reach audiences both locally, nationally and internationally is a fundamentally important part of our future.

Third, successful media companies now have to distribute and promote content across multiple platforms. Today's consumers are working and playing in very different ways. They are accessing news, information and entertainment in print, on TV monitors in the lounge room, on the PC on lap tops, on a mobile device, on a digital radio and it goes on. For media companies, where the audience goes we have to go.

Today we can distribute through our newspapers, our magazines, the internet, radio and to mobile platforms. As other opportunities arise, from IPTV to any other digital spectrum we will look to be there.

In the short history of digital media there are already a litany of failed businesses based on flawed revenue models. Even Google, powerhouse that it is today did not originally launch as a search advertising business. It is fair to say they stumbled on a US\$110b company.

It's all very well to talk about being multimedia and it's all very well to talk about having an Internet position, but you need proven new media revenue models. From our perspective, that's largely Internet or mobile models. You need revenue models that actually turn audience and brand participation online into money.

We are very strongly focused on the display advertising market, the classified market, and the transactions' market, which for us today is very largely driven by Trade Me in New Zealand, but we have also seen very strong growth in our transaction revenues across the Fairfax Digital sites.

Subscription is another proven revenue model online and we are gratified that *The Wall Street Journal*, notwithstanding some earlier disposition to go with a free model, has concluded, once it looked at it in detail, that it makes sense to monetise unique highly focused brand related content in the business and financial services market via a subscription model. So we're glad Rupert is following us. And we expect that to be an important part of earnings growth in the future as well.

So, as we see it, there are four key capabilities required of a modern digital media company.

- Content origination and aggregation,
- multi-media brands,
- the capacity to distribute on multiple platforms, and
- proven new media revenue models.

It is these capabilities that create a company that is strongly positioned for changing technologies and media consumption habits whatever they may be. This means positioning the company for what is inevitable: the still unpredictable changes in technology and media consumption habits that are driven by that technology and the experiences of younger generations in a very different media world.

We do not know what will come, but I know this:

If we are going to be successful, we have to be innovative, and if we are going to be innovative that means -- if we are to stand a chance -- that we simply have to have the content capability, the brands and extension of those brands, the capacity to distribute across multiple platforms, and the understanding of the appropriate revenue models.

And armed with these strengths, we believe we can hold our position against our competitors in this part of the world. Certainly our conclusion is we are as well positioned as anyone in media worldwide.

Now taking all of this one step down into the organisation: how does all this translate into the operational performance of this company month in, month out, year in and year out.

With these big picture capability needs as guides, we still need to focus on the basics of good business whatever the medium,

- Compelling content creation every day and every hour
- Innovative, creative advertising and content sales
- Subscription and circulation management
- Production and distribution excellence
- People development, leadership and support

If we do all this, we will be successful at innovation and in building a digital media company for the 21st century.

Thank you and thank you for attending the conference today.