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Arkansas Democrat Project

Interview with

Paul Smith
Little Rock, Arkansas
21 March 2006

Interviewer: Jerry McConnell

Jerry McConnell: This is Jerry McConnell. I'm sitting here this morning, I believe it's March 21, 2006, with Paul Smith, who is the general manager of the *Arkansas Democrat-Gazette* and has been with the paper ever since the Hussmans bought it in 1974. The first thing I need to do, Paul, is ask you if I have your permission to make this interview for the oral history program with the [Pryor Center for Arkansas] Oral [and Visual] History program with the University of Arkansas [Fayetteville] and turn the tapes over to the university?

Paul Smith: Yes, you do.

JM: Okay. Thank you very much. Now, let's just start at the beginning. Okay, give me your full name.

PS: Paul R. Smith.

JM: Okay. Where and when were you born, Paul?

PS: Jerry, I was born on a little farm on the Louisiana border, about twenty miles south of El Dorado [Arkansas] in 1945.

JM: Okay. Is that on the Arkansas side or the Louisiana side?

PS: It was just over on the Arkansas side in Union County.

JM: Okay. Near Junction City?

PS: Well, I went to school in Junction City; I lived nine miles east of Junction City.

JM: Now, Paul, what were your parent's names?

PS: My father's name was Walter Smith, and my mother's name was Minnie Smith. My father died when I was twelve; he was forty-nine at the time.

JM: And what did he do? He was a farmer?

PS: He was actually a carpenter and construction worker, but he had a severe heart attack in his early forties and he was not able to do that anymore. So after that time, we farmed.

JM: Okay. Where did you go to school?

PS: I went to elementary and high school in Junction City. I went a year and a half to a business college in Shreveport [Louisiana]. I don't have a college degree. I went to work for the newspaper in El Dorado when I was nineteen. I worked in the dispatch department where I delivered ad proofs to advertisers.

JM: That's the El Dorado . . .

PS: The *El Dorado News Times*.

JM: *News Times*, okay.

PS: Making \$1.25 per hour delivering proofs.

JM: Shoot, that's better than I made when I went to work for the *Democrat* in 1951 as

a reporter. But, any rate.

PS: Of course, this was . . .

JM: This was later on.

PS: Yes, this was in the 1960s.

JM: Yes, okay. So tell us—let's sort of work through all that and how you got to the *Democrat*. Let's get your background on that—tell me about your experiences at the El Dorado paper.

PS: I worked for about three months delivering proofs and then had an opportunity to join the advertising sales staff. I did that for three years—and was offered a job at the Minden, Louisiana, *Press Herald*, with the understanding that I would work as an ad salesman and eventually become the ad director. I'd been down there about nine months and Bert Estes, who was the general manager at El Dorado, came down and made me an offer to come back to the *News-Times*. So I went back to El Dorado as a salesman. A couple of years later the ad director, George Parks, and the general manager, Nolan DeLaughter, approached me about starting a newspaper in Texarkana in competition with the Hussman-owned newspaper. I guess I was about twenty-four then, and I was naive enough to think that we had a chance to compete with the *Texarkana Gazette*. We went over there and published a weekly newspaper for about nine months. We took in a lot more revenue than we had projected, but our expenses were about double what we had projected. Eventually, we ran out of money. I was fortunate enough to be able to go back to El Dorado as the advertising director, even though I had been competing with the company's newspaper in Texarkana.

JM: So they took you back as the advertising director at the El Dorado paper?

PS: I was a salesman when I left El Dorado to go to Texarkana and after the paper closed in Texarkana, they brought me back as the advertising director in El Dorado.

JM: They didn't take Nolan back did they?

PS: No, they didn't rehire Nolan. I think I went back in 1969 as the ad director. In 1971 they asked me to help them with advertising at the *Camden News*. Walter Hussman, Jr., became the general manager of the *Camden News*, and I became the business manager.

JM: Now which Walter are you talking about?

PS: Walter Hussman, Jr.

JM: Junior. Okay.

PS: I still was the ad director in El Dorado, but I worked in Camden a couple of days a week. That's where I first worked with Walter Hussman, Jr. He transferred the corporate office to Hot Springs in 1973 and he asked me if I would move to Camden full-time and train someone who had been hired to replace Walter Hussman, Jr., as the general manager. This person was Darrell Sumner, who had come from the newspaper in Coffeyville, Kansas.

JM: Darrell—what was his last name?

PS: S-U-M-N-E-R.

JM: Okay.

PS: I went to Camden for ten months and trained Darrell to be the general manager. I went up there with the understanding that within a year or so I would go back to

El Dorado and become the general manager of that newspaper. And I did that. I went back to El Dorado ten months later, in December of 1973. That was my dream. I had started working there delivering proofs, and eight years later, I was going back as the general manager. The only problem was that just before they sent me back as the general manager, Walter told me they were negotiating to buy the *Democrat* and asked if I would come to Little Rock and be the ad director if they bought the *Democrat*. Then Walter asked me if I would come to Little Rock and interview the ten largest advertisers in the market and try to get a feel for how they felt about the newspaper competition there. I did that and made a report to Walter.

JM: Let me ask you, we can come back to it, but what did that report say? What did you find in interviewing them?

PS: I found that there were only two major advertisers out of the ten who felt the *Democrat* had a chance to survive, and that was K-Mart, and Woolco [discount department store]. That tells you something about the people at Dillard's [Little Rock-based department store chain], [M. M.] Cohn's [department store], Kempner's [department store] and at the other retailers. They felt the *Gazette* was so strong that the *Democrat* really didn't have a chance.

JM: Yes. Okay. So when he asked you if you would come to Little Rock as the ad director, did you agree at that time? I assume you did.

PS: I did. I was apprehensive about it. But shortly after my twenty-ninth birthday, I was in Little Rock. Walter was twenty-seven. The largest paper I'd ever worked at was the newspaper in El Dorado. I was pretty naïve, and I didn't realize how

tough the competition would be.

JM: Okay. At this point, I guess we should make clear—I think it's well known, but the El Dorado paper was also owned by the Hussmans.

PS: That's correct.

JM: And Darrell Sumner, is that D-A-R-R-E-L-L? Is that how you spell it?

PS: That's correct. S-U-M-N-E-R.

JM: Okay. So they did buy the *Democrat*. What month was it—do you remember what month that was?

PS: They announced the sale in February of 1974. And we came here at that time. I believe the deal actually closed in March of 1974. The day they announced the purchase, Walter came here from Hot Springs—his office was in Hot Springs then—and they sent the plane down to pick me up in El Dorado. I came up for the press conference and never went back to the newspaper in El Dorado. In fact, for the first few months, Walter and I and a couple of other people who came up from our other newspapers lived in a house in the [Pulaski] Heights [neighborhood in Little Rock] owned by a friend of Walter's. We went there to sleep, and the rest of the time we were down at the *Democrat* working.

JM: Do you remember what they paid for the *Democrat*?

PS: I think \$3.9 million.

JM: I was thinking it was somewhere along that.

PS: \$3.7 or \$3.9 million.

JM: They must have made a down payment or something and had a . . .

PS: I think a twenty-year payout.

JM: . . . for the \$3.1 million or something like that.

PS: Yes. I don't know that anybody else would have bought it. I don't think anybody else had the nerve to buy it.

JM: I heard, and this is may be apropos of nothing, but soon after they bought the paper, I heard that Walter left for awhile and he had—did he have some vacation planned out west or something that he was gone a couple of weeks before he came back and started . . .

PS: Oh, no. Shortly, like a week or so after he bought the paper, we went on a business trip. We went and interviewed—he interviewed someone for the circulation manager's job. That was in Virginia, and then we flew from there to New York and went to *Newsday* and talked to them about a Total Market Coverage program for advertising which they had. We planned to try a TMC program in Little Rock to supplement our circulation. He flew from New York to Philadelphia to talk to one of the editors there. He'd been here and at the *Gazette*, what's his name?

JM: Gene Foreman?

PS: Foreman.

JM: Gene Foreman?

PS: Gene Foreman. He talked to Gene Foreman just to try to get his insight into the operation here. That's the only trip I remember. I don't recall Walter leaving on vacation soon after the purchase of the *Democrat*.

JM: Okay. So what did you discover when you got here? Did you find anything that was different than you expected? What was your view after you first arrived

here?

PS: Absolutely. I came down after the press conference and started going through sales records in the ad department. I discovered, for example, they had a salesperson—I think he was about twenty-four years old—that in November, December and January had averaged selling less than forty inches of advertising per month. That's less than a quarter page a month. At an average rate of less than \$3 an inch, he was bringing in about \$100 a month and they were paying him \$125 a week in salary. It didn't take a rocket scientist to know that this guy's not even bringing enough in a month to pay a week's salary. And he had been here several years. That's generally what I found. Very, very poor performance in the ad department. I found their strategy in trying to sell advertising was to try to appeal to the advertiser's sympathy and tell advertisers that, "If you don't buy an ad from us, then we'll go out of business and the *Gazette* will raise your rates." There were sixteen retail salespeople on the staff and probably five or six classified salespeople. I had a meeting with the retail staff and said, "Look, you're begging for advertising." The retail ad manager, Bill May, would go through the *Gazette* every day and cut out every ad, down to a one-inch ad. All the salespeople met with Bill each day and he would ask, "Who calls on this advertiser?" And somebody would raise his hand, and Bill would pass the ad down to him and say, "Go out and see if we can get this in the *Democrat*." They rarely went out with a plan to try to help the advertiser, based on their readership. It was always, "Me too—you ran this ad in the *Gazette*, won't you run it with us?" I made the comment in a meeting that we need to sell advertising in our

newspaper based on its own merits. And one of them said, “We don’t have any merits.” What I found was that probably out of the sixteen retail salespeople, four or five were competent. The biggest problem we had was that the vast majority of the salespeople didn’t believe that we had anything valuable to sell. And if a salesman doesn’t believe in his product, it’s hard for him to convince anybody else to believe in it. That’s the main thing I found. A real defeatist attitude. However, I didn’t find people who thought this newspaper might go out of business. They felt since the paper had been here for more than 100 years, somehow the owners would keep pouring money into it. I didn’t see any concern that the paper might fail and they might lose their jobs, but I also didn’t see any confidence that they could compete head-on with the *Gazette*.

JM: That was in the advertising department. Are you aware—did the same situation prevail in the circulation department?

PS: Well, of course, the circulation director spent much of his time playing golf.

JM: Shall we name him?

PS: Sure, I don’t mind.

JM: Was that Frank Simpson?

PS: Frank Simpson. Of course, Walter terminated his employment as soon as he took over the operation. The day that the sale was announced, he terminated his employment and the ad director’s employment.

JM: Who was the ad director?

PS: Clayton Lau.

JM: How to you spell his last name?

PS: I believe L-A-U.

JM: Okay, I don't remember him.

PS: He hadn't been here long, a couple of years. He was fired in Beaumont, Texas, and they hired him here. They brought him in and made him ad director. I heard a humorous story about Jim Massey who applied for the ad director job. Jim was a very good salesperson. Jim handled [Bentonville, Arkansas-based] Wal-Mart [Stores Inc.] and had really built the Wal-Mart account. He was very well-respected and worked hard. Jim told me shortly after I came here about a conversation that he had with Stanley Berry, the publisher. I think Jim told me he was forty-six when this conversation took place. Jim had heard that they were going to hire an ad director, and they hadn't had an ad director in probably fifteen years; they had operated just with a retail manager and a classified manager. Jim said he went to see Mr. Berry and mentioned that he had heard they were planning to hire an ad director. Jim said that Mr. Berry confirmed it, and Jim asked to be considered for the position. Jim said that Mr. Berry replied, "Well, Jim, I know you've owned your own ad agency, and I've seen you down here working at night and I know you're a really hard worker. You're really highly respected and I know you have a lot of ability. But there is one thing that would keep me from considering you for the job." Jim said he replied, "Well, I respect your judgment, but do you mind telling me what that is?" And Mr. Berry said, "Jim, you're just too young." Jim was forty-six. *[Laughter]*

JM: Okay. Okay. And Walter, Jr., was running the paper all this time, right? He was here . . .

PS: The incident involving Jim Massey happened a couple of years before Walter purchased the *Democrat*.

JM: Yes. So what was the strategy, then, at this point in time?

PS: Well, our strategy—when we came to the *Democrat* was to sell the *Democrat* as necessary to complete the advertising buy. We recognized that the *Gazette* was the primary ad buy because they had considerably more circulation, and they had more of the upscale readers. But there was a significant part of the market who didn't read the *Gazette*. So our strategy was to approach advertisers from the standpoint that we recognized that the *Gazette* was the primary buy. It would have been foolish for us to go out and say, "We're the primary buy: You need us instead of the *Gazette*." We had about 30 percent penetration and the *Gazette* had more than 50 percent. But there was considerable duplication in our 30 percent. So it would not have been a good approach for us to say, "You need us instead of them." We felt it was certainly logical to say, "You need them, but you need us to complete the buy." The element that we didn't consider was that the *Gazette* would raise advertising rates so fast. They had three rate increases in an eighteen-month period.

JM: The *Gazette*, you're talking about?

PS: Right. The *Gazette* had a rate increase about six months before our company bought the paper, and they had another one shortly afterwards, and another one six or eight months after that. They raised rates, as I recall, close to 50 percent in an eighteen-month period. Well, what that did was drive the cost of advertising in the *Gazette* up to the point that many advertisers didn't have enough budget left to

run an ad in the *Democrat*. It was really good strategy. I'm not sure they knew how effective it would be, but it was very effective. Advertisers would tell us, "I know I need to be in both papers, but look, the *Gazette's* raised my rate to the point that I don't have any money left for the *Democrat*." That theory was sometimes referred to as the "sponge theory." That's where one advertiser soaks up all the available ad dollars and doesn't leave anything for the competition. That's one thing that made the *Democrat's* initial strategy ineffective.

JM: Okay. What was your move then?

PS: We realized we had to do something—we were losing circulation. We realized that we had to do something to supplement our circulation, so we started a total market coverage program. Initially, it was like a shopper that we mailed to people who didn't subscribe to the *Democrat*. And eventually . . .

JM: What year was this, do you remember?

PS: That was in 1975. Eventually, I think by 1977 or 1978, we had gone from a shopper-type publication to a program where we printed 50,000 to 60,000 additional copies of the *Democrat* on Wednesday and delivered them to non-subscribers. We saturated neighborhoods in certain areas of town.

JM: Delivering them to everybody?

PS: Delivering them to everybody.

JM: And that was the paper and the shopper, too?

PS: Well, we had stopped delivering the shopper by then, and we delivered the complete paper to subscribers and non-subscribers alike.

JM: Oh, I see.

PS: So, if you subscribed to the *Democrat* and your neighbor didn't, you both got the *Democrat* on Wednesday. That helped us a lot. That gave us the lead in preprint advertising on Wednesday, which was food advertising day.

JM: Okay.

PS: Of course, that was one of the things the *Gazette* sued us for. They said it was illegal for us to give papers away.

JM: Why was it illegal?

PS: Because it was something that they said was designed to hurt them. They didn't seem to think that we may have designed it to help the *Democrat*, which obviously we did. But it did affect their advertising share. Since it affected them, I guess they thought it wasn't fair.

JM: It did have some impact on their circulation?

PS: Well, I don't know if it initially had any impact on their circulation. It had an impact on their advertising and eventually that impacted their circulation.

JM: All right. And did it help your advertising?

PS: Yes, it did. On one day a week, we had more circulation in Pulaski County than the *Gazette*, even though a big part of it was free—not all of those papers were read, but a large percentage of them were.

JM: People were advertising particularly in the Wednesday paper, is that correct?

PS: That's correct. Wednesday was a heavy preprint issue.

JM: Okay. Can you touch on some of your other strategies along about that time? Of course it wasn't long after you came in here that Walter bought a computer, was it?

PS: Well, actually they had gone to computer typesetting before we came to the *Democrat*, but I think he upgraded the system. Part of the strategy was that we had to eliminate some of the costly union agreements that were making it impossible for us to compete. For example, there was a bogus type agreement which required that camera-ready ads still be typeset. In some cases these ads had been published in the newspaper a year earlier but they still had to be typeset. Everything had to be typeset, even those ads that were provided camera-ready by the advertisers. By then a lot of ads came in camera ready. And another really costly contract issue was unreasonable manning requirements to operate the press. Our Sunday paper was a lot larger than other days, so we were forced to bring in additional pressmen to meet the manning requirements on Saturday night when we printed the Sunday paper. A lot of times we had *Gazette* pressmen in the *Democrat* pressroom on Saturday nights. At other times we would have pressmen that belonged to the local Pressmen's Union but were not trained to operate a large newspaper press. They might run a small commercial press, and the *Democrat* foreman would often tell these pressmen to stay away from our press. They were afraid they would damage something, or they'd get hurt. So they'd sit over in the corner and read a book for eight hours.

JM: But that gave them the number of people required by the contract.

PS: That's right. And even though they couldn't operate the press, they fulfilled the manning requirement. We obviously couldn't continue to operate that way. It didn't hurt the *Gazette* as badly because they had enough advertising revenue to pay for those costly requirements, but we didn't. So part of our strategy was that

we'd recognize the unions—I think there were four of them here—but we didn't accept the contracts because they contained so many unreasonable requirements.

JM: I know that I'm familiar with some of the operations, but the ITU [International Typographical Union] as I recall, the only strike you had though was the pressmen, isn't that correct?

PS: That's correct. And, you know, many of our pressmen didn't go out on strike. Many of the picketers were *Gazette* pressmen. Pressmen at both newspapers belonged to the same union.

JM: Oh, is that right?

PS: Most of the people who were picketing in front of our newspaper were *Gazette* pressmen. Most of our pressmen continued to work. It was not unusual to see [then-*Gazette* President] Hugh Patterson stop on the way to work in the morning and encourage his pressmen who were picketing in front of the *Democrat* building.

JM: Is that right?

PS: Absolutely.

JM: Come by here?

PS: He sometimes parked in front of the *Democrat* building and talked to his pressmen who were picketing us.

JM: I'll be darned. As I recall—and maybe Walter can talk about this later—but you all brought in—didn't you bring in some outside people to run the presses while the strike was going on?

PS: Well, we brought in a few people as I recall—remember, I was the ad director

back then, I wasn't the general manager—but I think we brought in maybe a few people from our other newspapers. But mainly we used Democrat employees and employees from our other newspapers.

JM: Did you? Okay, I was thinking . . .

PS: But we did bring in a few people.

JM: . . . maybe the Southern Newspaper Publishers had a . . .

PS: I don't remember. Walter will need to elaborate on that.

JM: I'll ask . . .

PS: I don't recall they brought anyone in from Southern Newspaper Publishers Association.

JM: I'll ask him about that later on, okay. So what was happening through this time? I guess the big turning point may be—and I'll ask you this later—was when you decided to compete head-on. What was happening, say, in 1975, 1976, 1977—what was happening to the paper here? What was your situation?

PS: Well, we were losing circulation. We lost circulation every year through 1978. We lost market share to the *Gazette*—we were losing advertising market share. That's why Walter went to Hugh Patterson and offered the JOA.

JM: That's the joint operating agreement?

PS: Yes, the joint operating agreement. And Mr. Patterson declined. He said he might not make as much money as he had been making. I was not involved in those discussions.

JM: Were you aware of them?

PS: I was not aware of them at the time. I learned after Walter went back to Mr.

Patterson and offered an arrangement in which the *Gazette* would get all of the profit up to the amount they earned the year prior to a JOA, and they would get 90 percent of the profit over that. Basically, Walter was just trying to come up with a way to keep the editorial voice alive at the *Democrat*. He obviously wasn't going to make much money from that arrangement, but he could preserve the editorial voice of the *Democrat*. This came up in the lawsuit, and it became well-known that Hugh had said that he was not going to put a floor under the *Democrat's* losses. There's no doubt in my mind that Mr. Patterson thought the *Democrat* was going to close and that he would get all the profits. Also, I think he probably wanted the satisfaction of driving his competitor out of business. He obviously wanted to have the only newspaper in town. It was not a good decision.

JM: Yes. [Laughs] So during that period of time—or was there any point in time when you were really down? Did you get discouraged over what was happening?

PS: You know, I did. Walter also got discouraged. I was contacted by a search company that was looking for a marketing director for a suburban newspaper group that was in the Seattle area. I told Walter that I'd been contacted and said that I wasn't sure I was interested but that I planned to talk to them. Walter told me then that he was considering some significant changes, such as the free want ad proposal, which we had recommended to him. Also, he said he was considering switching to a morning newspaper. He said he had talked to the publisher of a newspaper in Chattanooga, Tennessee, who had competed with another newspaper in that market. Their strategy involved significantly increasing their news volume. Walter suggested that I go to Chattanooga and talk

with the publisher and the circulation manager. And he mentioned us talking to the people at the *Dallas* [Texas] *Times-Herald*, where they had switched from an afternoon paper to a morning paper. He also talked about us going to Winnipeg, Canada, where they gained 40,000 circulation from having free want ads. So I never talked to the people in Seattle because I was encouraged that if he was willing to do all those things, it would give us at least a fighting chance. I was surprised he was willing to risk so much. But he did. He and his father risked a lot by deciding to increase the competition with the *Gazette*. Basically, the decision had been from 1974 to the middle of 1978 to try to supplement the *Gazette* for advertising sales. Walter had tried the JOA approach and was rebuffed there. Finally, it came down to one of two decisions. We could throw in the towel and close the paper, or we could intensify the competition and take the *Gazette* head-on. It was not likely that anyone would be interested in buying the *Democrat* at that time. The plan for the *Democrat* to supplement the *Gazette* had obviously not worked. We had to try to get the newspaper to the point in some way where we could be a replacement for the *Gazette*. If people were going to only buy one newspaper, we had to try to be that newspaper. We realized from research that a significant number of the people who subscribed to the *Democrat* didn't read it every day. We did our first market research in 1975. The study was done by a company in Dallas, Texas, called MARC Company. And the results were frightening. In fact, after Walter and I read the research, Walter said to me, "You and I are the only people who have seen this research. I'm not going to tell anybody what's in here, and if the information gets out in the market I'll know it

came from you.” He said, “Neither of us should get this report close to a copy machine.” Basically, what the research showed was that the duplication was high, and that a significant number of people who took the *Democrat* sometimes didn’t read it. As I recall for Dillard’s and Cohn’s—about 80 percent to 85 percent of their customers read the *Gazette*, and maybe 35 percent to 40 percent of their customers read the *Democrat*. But, as I recall, only about 15 percent read the *Democrat* exclusively. It cost an advertiser 50-60 percent as much to run an ad in the *Democrat* as it did the *Gazette*. A 15 percent increase in unduplicated reach couldn’t justify a 50 percent increase in cost. Basically, that was one of our biggest problems. In a two-newspaper market, the duplication always hurts the number two paper.

JM: You’re talking about duplication of advertising or of news?

PS: The subscribers. In other words, people who took both papers. If the *Gazette* advertising management had understood the dynamics of newspaper competition, they would have conducted research, and they would have gone to advertisers and said, “Look, when you buy an ad in the *Democrat*, most of their readers you’ve already reached in the *Gazette*.” This was particularly true of those readers in the more affluent households.

JM: So, did you go to Winnipeg?

PS: Yes. We went to Winnipeg, Canada, to visit a newspaper there that had gained a lot of circulation when they started running free want ads. We learned that in six months they had gained 40,000 circulation on the leading paper in that market.

JM: And that was all from the free classified. About this time—toward the end of

1978—you were getting ready to make some significant changes and become . . .

PS: The first big change we made was in December of 1978. We announced that we were going to run free want ads for anybody in Arkansas who was selling something that they personally owned. No commercial advertising, but if you owned a car, personally, or furniture, or a motor home, or whatever, you could sell it in the *Democrat* with a free want ad.

JM: What was the impact of that program?

PS: Within a week we had more classified volume than the *Gazette*.

JM: Is that right? Within a week.

PS: Not revenue.

JM: I understand.

PS: But we had more pages of classified.

JM: Did that then show an impact on your circulation?

PS: Yes.

JM: How soon did that happen?

PS: Circulation started going up almost immediately. But you can't attribute all of that to free want ads. A month after we started offering free want ads, we switched to a morning paper—a morning publishing cycle—and we increased the news volume in the *Democrat* 60 percent to 70 percent, enough that we started publishing more news than the *Gazette*. So, I think, it was a combination of free want ads, more news and switching to a morning newspaper that affected circulation. We also became much more aggressive in selling subscriptions.

People go to the classified ads because they're trying to find a bargain. And while

they're looking for a bargain, they're exposed to the commercial ads that are not free. Initially, the auto dealers and the realtors were upset because we were running free want ads. The auto dealers said we were competing with them by allowing individual owners to advertise their car with a free want ad. But it didn't take long for them to realize their ads were working better in the *Democrat* than ever before. Their ads were working better because we had more people reading our classified section. In fact, it wasn't long until our ads were more effective than ads were in the *Gazette*. People would go to the *Democrat* if they were looking for a car because they knew we'd have ten times as many car ads than the *Gazette* would have. And that generated readership.

JM: Okay. So at first, as I understand it though, you did not start—the entire paper did not start morning, it was only the state edition. Is that correct? It was the edition that went out into the state that you started publishing in the morning? Then it was a few months later before you switched . . .

PS: As I recall, we started the morning edition almost immediately everywhere.

JM: Oh did you? Even in the city? I understood that it was the state circulation first and outside the county and then later on in the county. Nevertheless, you were head-to-head with them in the morning, and you were putting out a lot more news than you had in the past. Did you have more pages than the *Gazette*? Or do you remember? Or was it just a bigger news hole?

PS: No, we had more pages. We realized, Jerry, that if we had more news than the *Gazette*, but didn't have the advertising that they had, there would be a serious deficiency. People buy newspapers for all the information in them. With our free

want ads, we had corrected the imbalance in classifieds to the point that we actually had more classified information than the *Gazette*. We were publishing more news because the owners were willing to beef up the staff and buy the newsprint necessary to publish more news than the *Gazette*. But we still had a problem in retail advertising. At that time, the *Gazette* had about 95 percent of the department store advertising—Sears, Montgomery Ward, J.C. Penney’s, Dillard’s, Cohn’s—so we went to the department store advertisers and said, “If you will duplicate your ads from the *Gazette* into the *Democrat*, we’ll sell this advertising to you for \$1 an inch.” The *Gazette* rate was about \$5 per inch at the time. The plan wasn’t designed to try to create a lot of revenue, because the newsprint was going to cost that much. It was designed to give us the same department store ads as the *Gazette*, so that if someone decided to subscribe to the *Democrat* instead of the *Gazette*, they would have the same advertising information. It really wasn’t designed to hurt the *Gazette*. We didn’t go to them and say, “Give us more advertising,” or, “Give us advertising the *Gazette* doesn’t have.” We asked for the same ads that were in the *Gazette*. It was designed to try to eliminate a deficiency that readers would consider that we had.

JM: The readers then would be able to see those same ads that ran in the *Gazette*.

PS: Right.

JM: Was that effective? Did you pick up quite a bit of department store advertising?

PS: We didn’t with Cohn’s. We didn’t get much of their business but we did . . .

[Tape Stopped]

JM: This is Jerry McConnell, still with Paul Smith, and this is side two of this tape.

Paul, when the first tape ended, we were talking about the advertising for \$1 an inch for display advertising. I think you were saying that you did not pick up much advertising from Cohn's, but what was the situation with the other . . .

PS: We were successful in getting Sears, Dillard's, Ward's and Penney's to duplicate their ads. We only offered this to department store advertisers, but we offered it to *all* department store advertisers.

JM: Okay. And there was a range in there of people that you did not offer this to that were . . .

PS: Right. We felt that as long as we offered it to all the department stores that were competing against one another that we wouldn't give one competitor an advantage over another. But it was the department stores where we had so little of the business. I think the *Gazette* had 95 percent.

JM: What period of time was this? In 1979 or 1980 that we're . . .

PS: This was starting, I believe, in January of 1979. And it continued for several years. We did increase the rate. I think after a year we increased it from \$1 to \$1.25.

JM: Okay.

PS: I remember some advertisers complained because they considered it a large increase because it went up 25 percent. The *Gazette* went up from \$5 to \$6, a \$1 increase, but the advertisers didn't complain about that.

JM: So was this beginning to—did you get enough that it was an impact on your readers and your circulation?

PS: Having the department store ads probably didn't help us get new readers because

the *Gazette* had the same ads. It just somewhat negated the advantage they had. It didn't give us an advantage; it just negated their advantage.

JM: Before we go on to develop this now—this is a significant period—what was your view of the editorial content of the two newspapers in, say, the first four years leading up to all this change and when you started letting out the news hole and all that?

PS: The *Gazette* certainly had more news. They had more reporters, so they could do a better job of covering news. A lot of our reporters were entry-level-reporters, so the *Gazette* had more talent certainly at the reporter level. Those are the main things.

JM: So, at this point in time, you decided that you were going to have more news. Tell me what you felt like from that point on, what the significant milestones were, as far as you all beginning to become a success.

PS: The first thing, obviously, was free want ads. That gave us leadership in one important category of advertising. Getting the department store advertising, obviously, was important. Even though it didn't give us an advantage, it negated the *Gazette's* advantage. John Robert "Bob" Starr becoming the editor was important. Bob McCord [whom Starr replaced] is a bright fellow, a likeable fellow, but Bob McCord even admitted that he didn't have the stomach to take on the *Gazette*. In fact, he recommended John Robert Starr as somebody that would relish the competition. Bob helped us because he was very aggressive and pushed hard to cover the news. He was also very outspoken and eventually started writing a column. I think a lot of people were curious every day to see what Bob

Starr was going to say about an issue. So I think he was important. We brought in Larry Graham from the *Kansas City Star*. He was the metro circulation manager in Kansas City. He came here as our city circulation manager while Tony Biggs was circulation director. A short time later, Larry was promoted to circulation director. I believe that was in 1981, about the time I became the general manager. Larry is a very good circulation director. He is excellent at selling subscribers and at servicing them. Larry is still our circulation director. That was an important move.

JM: Did you all, at some point in time, sort of as a strategy say, “You know, we really need to emphasize our sports coverage; we really need to hit that hard and be more competitive there”?

PS: We did. In fact, we promoted the fact that we had the largest Sunday sports section in the country. We were running twenty or more pages of sports on Sunday. We would periodically check other newspapers, and we couldn’t find one that was as large. *The Dallas Morning News* was close. Sports was obviously an emphasis. Of course, one other big problem was that the *Gazette* had [sports editor and columnist] Orville Henry, and whether you liked him or not, he was respected. Plus, he got a lot of information from the [University of Arkansas] Razorbacks before we would get it.

JM: Did you see any perceptible change in your circulation after you let out the sports section and you started running such a large sports section?

PS: You know, we did all of these things at the same time.

JM: Okay, so you couldn’t tell which was which.

PS: It's impossible to know how much effect each element had.

JM: Yes. Then at some point in time you had started the "High Profile" section. When did you start the "High Profile" section? Was that a little later on?

PS: I believe we started "High Profile" in the mid-1980s [1986].

JM: Okay. So you hadn't started that yet.

PS: That's right.

JM: But this time—let me make one detour here, if you don't mind that. We brought up the names Tony Biggs and Gerald Doty and Larry Graham and everything. Gerald Doty was—when you got rid of Frank Simpson, you brought him in as the circulation director. Right? Tell me a little bit about Gerald.

PS: Gerald was a real nuts-and-bolts circulation manager. He understood newspaper circulation. He had spent his entire career at the *Dallas Times Herald*, which was in a competitive newspaper market. I think Gerald had probably been there twenty years in circulation. He had worked up from the ground. He was a no-nonsense circulation manager. He was not very political. He just went out and tried to do the best job that he could. Unfortunately for him, he was here during the time when we weren't really trying to take the *Gazette* head-on. So he was here at the wrong time.

JM: Yes. Now then, Walter brought Tony Biggs in at what point in time, 1977? Somewhere along there?

PS: No, actually, Walter interviewed Gerald Doty and Tony Biggs for the circulation director's job just after he bought the paper in 1974. He decided to hire Gerald as the circulation director because he had much more experience, but he was

impressed with Tony. Tony was the circulation director at *The Oakland Tribune*, so he hired Tony to be his assistant, the assistant to the publisher.

JM: What was the man's name who ran *The Oakland Tribune*—Nowells—or something like that?

PS: I don't remember.

JM: He'd been a U. S. senator, I think, and everything. I think maybe he killed himself.

PS: I don't remember. [Editor's Note: William F. Knowland, who served in the U. S. Senate from 1954-1959, became editor and publisher of *The Oakland Tribune* in 1966. He died from an apparent suicide in 1974.]

JM: Anyway, Walter brought Tony in as assistant to the publisher.

PS: Then, eventually, after several years, we continued to lose circulation and Walter replaced Gerald with Tony because Tony had also been a circulation director. Tony didn't stay here, as I recall, not much more than a year after that. Maybe a year and a half.

JM: Okay. But Tony, as I understand it, maybe had not been one of Gerald's strongest supporters.

PS: That is correct.

JM: He had undercut him, is that correct?

PS: I think that's true.

JM: Okay, but then when Tony left, did he leave of his own volition, or did Walter ask him to go?

PS: No. Tony left voluntarily. Tony was offered the publisher's job of a 20,000

circulation in Indiana. I think, by then, Tony realized how difficult the circulation manager's job was at this newspaper. But Tony did leave voluntarily.

JM: So at that time you elevated Larry Graham.

PS: Right. Larry had been here for less than a year as our city circulation manager. When Tony left, Walter promoted him to circulation director, and that was one of the best moves we ever made.

JM: Okay. Then when did you become the general manager?

PS: In 1981.

JM: In 1981, okay. You had not had a general manager until that time, is that correct?

PS: That's correct. Walter was the publisher, but he really handled the duties of a publisher and a general manager.

JM: I see, okay.

PS: At that time, Walter took over his father's responsibilities for the whole company.

JM: Mr. Hussman died, is that correct?

PS: No. He retired.

JM: Oh, he hadn't died yet. He just retired. Okay. So he took over WEHCO Media.

PS: Of course, Walter had been involved heavily in the management of WEHCO, but he took on additional responsibilities, and I was fortunate that he promoted me.

JM: From 1981 going forward, what were those significant developments along the way?

PS: Well, we increased our market share substantially, both in circulation and in advertising. The *Gazette* ignored our free want ads for about a year and a half. In fact, they laughed at us. The comment from several people over there was, "I

guess if you can't sell it, you give it away." They didn't recognize that increasing our classified volume could have an impact on their classified readership. If we got more readers because we had more information, it would impact their classifieds. I don't think they realized until about a year and a half later how much we had impacted their classified. So, they announced a promotion called "3-3-3"—that's three lines for three days for \$3. They didn't offer free want ads, but they offered ads for \$1 a day. They apparently thought people would rather pay \$1 a day and have an ad in the *Gazette* than have one free in the *Democrat*. What they didn't realize was that by that time we had more classified readership than they had. We didn't have more circulation, but with more classified ads, we had more classified readers. A lot of the *Gazette* readers that didn't read the *Democrat* on a regular basis would buy the *Democrat* out of a newsstand if they were looking for a used car to purchase, because they knew we had more car ads than the *Gazette*. The *Gazette* should have reacted to free want ads quickly. Their three lines for three days for \$3 didn't work. And they kept changing it until finally they went to three lines for fourteen days for \$3. But it still didn't work. When the *Gazette* introduced their 3-3-3 classified plan they promoted it with the largest multimedia campaign ever for a local company in this market. They had a massive television schedule of very elaborate commercials. We countered with a 10-second commercial featuring an elderly actress from Dallas. We chose her because our commercial was very hard-hitting and somewhat sarcastic. We thought a grandmotherly type would get more acceptance from readers for this type commercial. In the commercial, she first held up copies of

both newspapers and then asked, “Who needs 3-3-3, when I’ve got Free-Free-Free? Where were those other guys when I needed them?” The *Gazette*’s massive advertising campaign created interest in selling personal merchandise with classified advertising, but most of the people who responded ran their ads in the *Democrat* instead of the *Gazette*. The *Gazette*’s advertising greatly increased our volume of free want ads, thus increasing our classified readership.

JM: They still weren’t getting as many classifieds as you had.

PS: No, and their pride kept them from going to free. They lost more money by running a three-line ad for fourteen days for \$3, than it would have cost them to run a free ad for three days. But they had laughed at us when we announced free want ads and they just were not going to swallow their pride and go to free want ads. And it helped us greatly.

JM: Through this time, for the next couple of years or so, you were steadily making progress in circulation and advertising and percentage—circulation percentage of advertising.

PS: Right. Market share, both circulation and advertising.

JM: Then along came the lawsuit. Right?

PS: The lawsuit. We made our first profit somewhere in the middle of 1984. And we announced it. The first profit we made—the first month—Walter gave it to the employees. He divided it equally among all the employees. They obviously knew at the *Gazette*. We made a profit again the next month. This is just speculation on my part, but I think they probably thought that if we were starting to have some profitable months we just might hang around. In early December of

1984 they surprised us with an antitrust lawsuit.

JM: What was your reaction to that lawsuit?

PS: It was discouragement and apprehension. We had fought and clawed our way to the point where we were occasionally making a profit, and the trend lines showed that we should eventually be in a solid financial position. If you look at where we came from—market share, both circulation and advertising—the trend lines indicated that it was just a matter of time before we were a viable competitor in this market. Our share of advertising revenue had gone from 18 percent in 1978 to 38 percent in 1984. I believe that was the motivation for the lawsuit, I think our profitable months frightened them and they took this extreme action to try to stop our progress. But the lawsuit certainly was a shock and a disappointment.

JM: Okay. Did anybody here ever think it was a legitimate lawsuit?

PS: No, we didn't think it was a legitimate lawsuit, but people sometimes lose lawsuits that are not legitimate. So there was a real danger. It cost us about \$1.25 million just to prepare for it and to defend it. That was approximately one-third of what the company paid for the *Democrat*.

JM: When the lawsuit came up though, then people were able to—both newspapers were able to subpoena each others' records, right?

PS: Right.

JM: They began to get some insight how the *Democrat* operated, and you began to get some insight in how the *Gazette* operated. I had discussed this with you at one time, but tell me some of the things when you started reading some of the *Gazette* information that you found out that might have surprised you, or at least were

very interesting to you.

PS: Well, reading their research was interesting. They had conducted some focus research sessions with their readers—they would throw out words like fastest-growing and largest, and they would ask what the reader's impressions were. They went through the same process with other groups who were non-readers, some new people in the market, and some groups in which they were all *Democrat* readers. In every case, the response was that the *Democrat* was the fastest-growing and largest newspaper. That was because we had promoted that we were the fastest-growing. And we were. We were the largest. We were. We published more pages; we had more news; we had more classified. That really bothered Mr. Patterson. It was very revealing to read some of the comments made in those meetings—they thought we were trying to mislead people by causing them to think that we had more circulation. We never one time said in any of our promotions that we had more circulation. We said we had the fastest-growing circulation in Arkansas. In fact, we eventually became the fastest-growing circulation newspaper in any metro in the country, from a percentage standpoint. We said we had the largest sports section. We published more news. We published more classified advertising. Never did we say we had more circulation. But it was interesting, because people who knew we were bigger in other areas often assumed that we had more circulation. But we never said that or implied that. One thing that surprised us was that they were claiming that there was a danger of our eliminating them from the market, and they had never lost money. Not in any year.

JM: Not at that time. They had never lost anything.

PS: They had never lost money. You know, the lawsuit really helped us. I mean at the time it frightened us, but it greatly helped us because it gave us credibility with *Gazette* readers and advertisers. We have always been aggressive in circulation and generally we got 90 percent of the newcomers, and we were getting more of the young readers. One reason we got these readers was because we had a lot more classified advertising, and the younger people tend to be acquiring more and looking for bargains. But the *Gazette* had a solid lock on west Little Rock and the more affluent parts of the market. The perception was that the *Gazette* would never be challenged. In fact, during the first year I was here, I had several people make almost verbatim the same statement to me: “The *Democrat* doesn’t have a chance. There are three institutions in Arkansas that will never be challenged: the Arkansas Razorbacks, the *Arkansas Gazette*, and Worthen Bank.” Two of the three are gone.

JM: [Laughs]

PS: “The lesson there is to not ever get so arrogant that you think you can’t be challenged.” When you do—I mean, look at Sears. Twenty-five years ago, people in the retail business thought Sears would take over the retail world.

JM: Yes.

PS: They never thought Wal-Mart would.

JM: Did you get some kind of insight into what the *Gazette* strategy—what they’d been thinking along these years and everything? Were you able to see anything that gave you any insight on that?

PS: Well, they were really arrogant. And they didn't want to react to things that we did at the *Democrat* because it would appear to their readers and advertisers that they were worried about us. They didn't really seem to have an offensive strategy. They wouldn't react to something that we did until they came to the conclusion that it was hurting them, and then they would react, but it was always defensive, and it was often too late to be effective. I'll give you an example. We had all of the coupon advertising. Tom Kemp, the ad director at the *Gazette*, had gone to call on the coupon advertisers and asked why they had switched their business from the *Gazette* to the *Democrat*. He came back and wrote a memo to Hugh Patterson. In the memo, he said that the previous *Gazette* ad director had insulted the largest coupon distributor. Back then the post office required that you show the names of the newspapers that carried the preprint on the front of the preprint. Preprint advertisers would sometimes list forty or fifty newspapers in their supplement line. Otherwise, when they got through printing the circulation for each newspaper, they'd have to shut the press down and re-plate the front page, and it would cost a lot more money due to drastically lengthening the press run. The *Gazette* wouldn't allow any other newspaper's name to be on a preprint that went in their paper. One of the preprint advertisers, Valassis, made a mistake and the preprint showed up at the *Gazette* with multiple newspaper names in the supplement line, so the *Gazette* ad director called the person that scheduled the coupon insert at Valassis and told her that they needed to pick up these preprints. She said it was too late to get others printed and to the *Gazette* for distribution. She asked them to make an exception and go ahead and insert them and he

refused. She asked, “What are we going to do?” And he said, “Well, they’re on our dock. If you don’t pick them up, we’re going to shove them off the dock.” And she asked, “Well, what are we going to do with them?” And the *Gazette*’s ad director said, “You can stick ’em up your — if you like, I don’t care, but get them off our dock.” This was all detailed in the memo from Tom Kemp to Hugh Patterson. The owner of Valassis was so angry he switched all of his coupon advertising to the *Democrat*. And News America, the other large coupon advertiser, quickly followed suit and switched their advertising. Part of the problem at the *Gazette* was extreme arrogance.

JM: Yes. Do you think that was reflected all the way down the paper? Or was that mainly at the top?

PS: I think it was reflected all the way down. I remember a conversation that Walter and I had at lunch one day with a man who ran the educational TV network here in Arkansas. I believe his name was Raymond Ho. I think he left here and went to Philadelphia.

JM: Raymond who?

PS: Raymond Ho, I believe was his name.

JM: How do you spell his last name?

PS: I think it was H-O.

JM: Oh, okay.

PS: He was talking about the arrogance at the *Gazette*—and he made the statement that you usually find that the attitude of the top person in an organization is going to permeate an organization. And I think that was the case. I think all the way to

the top there was extreme arrogance at the *Gazette*, so that became the accepted behavior. I always felt, Jerry, that it was a badge of honor at the *Gazette* to be able to run roughshod over advertisers. People in management at the *Gazette* felt powerful—because that they could be very demanding with their customers and get away with it.

JM: So did you have access to memos on their board meetings that they had . . .

PS: Yes. I read all of the board minutes. We had access to everything in their files. I spent several hours almost every day with one of our attorneys—I had to have an attorney with me. I did that for a year. I read the documents from the *Gazette* files and tried to explain the significance of the documents to the attorney. Many times they wouldn't recognize the significance of something as it related to the newspaper business. Walter did some of it too. Through that we learned a lot about their operation. As far as I know, neither Hugh Patterson nor George Van Wagner, the *Gazette*'s general manager, spent much time going through our documents; they just left it up to the attorneys.

JM: Did I understand you to say that at one point in time only two people from each paper could see those documents?

PS: That's correct.

JM: So from the *Democrat* it was you and Walter?

PS: Right. And from the *Gazette* it was Hugh Patterson and George Van Wagner, their general manager.

JM: Okay. So you went over and sat down and looked at all those documents. What were they saying in their board meetings?

PS: Well, they were concerned. A lot of what they were saying was that we were hurting them and we were not doing it fairly. They cited examples such as our giving away free want ads and delivering free newspapers to readers. They were really paranoid about what our intentions were. They could have done the same thing. If they had, they probably could have negated some of our advantages. But they didn't want to do those things. They also didn't want us to do them.

JM: Did they ever say why they didn't want to do those things? Did they ever give you any insight in that? Why they wouldn't try the same things you were trying?

PS: At first, they didn't think they would work. Also, I think they really believed that if they reacted to us it would indicate in the market that they were worried about us. I believe that was a big factor in it. Now, when Gannett took over, they announced free want ads within 30 days. [Editor's Note: The Gannett Company, Inc., purchased the *Gazette* in December 1986]

JM: So they . . .

PS: They recognized that a business shouldn't allow a competitor any advantage that they didn't respond to.

JM: Okay. This went to trial in early 1986, as I remember, and the *Democrat* won. It was a unanimous verdict as I remember.

PS: That's correct. And that changed the perception of the *Gazette's* position in the market with many readers and advertisers because, even though we had gained a lot of market share on the *Gazette*, people in the more affluent parts of town—the people who owned most of the businesses—had thought the *Gazette* would never be challenged. In order to win an anti-trust lawsuit, you have to prove three

things. You have to prove (1) bad acts. They considered free want ads, delivering free papers and similar things to be bad acts; (2) you've got to prove that you've been damaged by these bad acts. They had never lost money, and so proving damages was going to be a struggle, and (3) you must convince the court that if the court doesn't intervene, there's a dangerous probability that your competitor will drive you out of the market and become a monopoly. In order to win an antitrust lawsuit you have to prove all three of them. So they said the bad acts were the free want ads, free papers, etc., and that if the court didn't intervene we might drive them out of the market. That was ludicrous because that at the time they filed the lawsuit, we had 38 percent of the revenue. We had gone from 18 percent in 1978 to 38 percent in 1984. By the time they sold to Gannett, we were up to 42 percent. But when they filed the lawsuit, we had 38 percent of the revenue. They had 62 percent, but they said we were about to run them out of business. It was interesting—the way they came up with damages in the document they filed with the court when they filed the lawsuit. They said they had been damaged because we should have gone out of business. They said if we had operated the way we should have operated—hadn't done things like giving free want ads and delivering free papers—we would have gone out of business, and if we had gone out of business they would have been able to charge more for advertising and circulation. They argued this in order for the attorneys to try to come up with some damages. I wrote a letter to all the advertisers in the market and attached a copy of that page out of their court pleading, and pointed out that antitrust laws were designed to preserve competition, not eliminate it. In business

when you sue a competitor for anti-trust it can be a devastating weapon if you win. If you lose, it can backfire, like in their case, when they told their readers and advertisers that if the court didn't stop the *Democrat*, we were likely to take over the market and force them out of business. They lost the lawsuit, and then had to come back and say, "We're doing great." When they changed their message after they lost the lawsuit and claimed they were doing great, we ran an ad showing their sworn testimony in court. We asked in our ad, "Are they not telling the truth now, or were they not telling the truth in court?" Well, when they swore under oath that they were in danger of failing as a business it was hard to be convincing when they came back a month later and said, "We're doing great." I believe that's why they had to sell the newspaper. I think if they had never sued us, they might never have had to sell the newspaper, because we were really struggling to gain credibility in west Little Rock. I think they probably did for us with the lawsuit what we couldn't have done with \$10 million in promotion.

JM: We'll have to call a halt to this in a minute. And I think I need to come back at another time, because we haven't even touched on the Gannett portion of that, so I'd like to do that. But let me ask you one question. Even after they lost the lawsuit, if the Pattersons, the owners at that time, had buckled down and said, "We're going to fight this thing tooth and nail, and we're going to get in there and we're going to meet them toe to toe," could they have remained in business?

PS: Absolutely. In fact, after the lawsuit, Walter said he thought this market could

support both newspapers, even though neither would make as much money as in a typical one newspaper market. He thought both newspapers could coexist in the market. Maybe they thought they couldn't.

JM: They just gave up.

PS: Hugh Patterson said, I believe, when they announced the sale to Gannett, that one of the reasons he sold it to Gannett was that he felt Gannett had the resources to win the newspaper war here. So perhaps—this is speculation on my part—but perhaps part of his motivation was to have the newspaper taken over by a company that he was sure could drive the *Democrat* out of business.

JM: Okay. Paul, thanks very much, and I really appreciate this. We'll take this up again on another day.

PS: Great. Okay.

[End of Interview]

[Transcribed by Lu Ann Smith-Lacy]

[Edited by Pryor Center staff]