

Q&A

**Hearst Magazines
President
Cathleen Black**



Q You're in Toronto this month to deliver a keynote speech at Mags U. What'll be the gist of your message?

A My message will come down to two thoughts: reality and confidence. The reality is that for any title, the competition is not with other magazines. It's with cable, video games, PDAs, MP3s, cellphones, iPods — and anything else that can carry both content and advertising.

This is a critical moment for magazines. We have to be very aggressive in positioning themselves. We have to be clear in showing how we fit into this new media marketplace. Our advertisers have to be made to understand in specific and measurable terms what magazines can do for them.

The confidence comes from the fact that this is a great time to do that. At the heart of the media revolution is consumers empowered by choice and enabled by the ability to consume information and entertainment when, where and how they want to. That is bad news for any media where the ad model depends on interrupting the content. Magazines don't interrupt. Our consumers have always been in total control. The ads are invited in as part of the experience. We have to stop being defensive about the media revolution and embrace it. We have the opportunity, right now, to define ourselves.

After graduating from Trinity College in Washington, D.C., in 1966, you found work in the media business on the sales side at such magazines as *Holiday* and *Travel & Leisure*. Your first managerial position came in 1972 at age 28—you were appointed ad director at *Ms. Magazine* when it was launching. You eventually became associate publisher. What did you learn about managing others at this very early stage of your career?

At that point in a career, I think most of us are like a great big sponge. You are learning so much. And much of the time, you don't even realize you are learning it. You are just trying to

do a job the best you can. But I think that if there is one lesson that has stuck with me it's that it all starts with the people you manage. The key is to find the best people you can, and as many different kinds of people you can. You want people who can see beyond day-to-day responsibilities and view the world from the perspective of customers and consumers. You want people who are comfortable in teams, and who are willing to take risks. You want people who can make decisions and stick with them.

Those kinds of people are high-maintenance. And I mean that in a good way. You have to challenge them and accept the fact that they will challenge you. You have to take personal responsibility to make sure your organization takes things like diversity and development as seriously as it takes the P&L.

You have deep connections to the newspaper business. Prior to taking over at Hearst Magazines in 1995, you were publisher of *USA Today* and later appointed president of the Newspaper Association of America. These days, newspapers have it rough with declining, aging readerships and young people who just aren't in the habit of reading newsprint. Very gloomy stuff—for newspapers. Magazines, however, have never been better positioned, many say. Are you one of them? If so, why?

I really enjoyed my time in newspapers. I'm a big newspaper reader myself, and I always have been. The industry is going through some transitional pains, just like magazines are. But they have a tremendous advantage in the connection to the geographical communities they serve—just like magazines have a connection the interests and the lifestyles of the people we serve. I think newspapers are doing a good job of building on that. They are doing a great job with local Web sites, creating commuter and other niche papers and finding other ways to reach readers beyond their core product.

As for Hearst, I would say we are in a great position. We have a line-up of brand equities that is incredibly powerful. We have been aggressive and successful in expanding the line-up with new titles like *O, The Oprah Magazine*, *CosmoGIRL!* and *Shop, Etc.* We reach more women every month than anybody. We are by far the largest player in the international market with 175 titles. That is a huge growth opportunity. We are going after the problems areas—like circulation and distribution—very aggressively. We are exploring new technologies to stay in the forefront of emerging possibilities. But we aren't leveraging our financial health to do it. And we are on top of our costs. Even through the down-

turn, we still produced record earnings. There is a lot we need to do—for example, balance our growth from new titles with a stronger performance from established titles. But I like the hand we're playing. We are in a very good position to grow.

Hearst is the world's largest publisher of monthly magazines including *Popular Mechanics* and *Esquire*, and it dominates the women's category through such titles as *Cosmopolitan*, *CosmoGIRL*, *Seventeen*, *Good Housekeeping*, *Harper's Bazaar*, *Marie Claire*, *O, The Oprah Magazine*, *Redbook* and *Town & Country*—18 magazines in all spread over 142 international editions in more than 100 countries. It's been reported that you read all of them, at least the U.S. editions. What's your system for reading that much material?

The reports are true. I do read all our U.S. publications. There really isn't a system. I just do it. I have to assume that the CEO of an automobile company rides in the cars the company produces, or the head of a snack company tastes the cookies. If I didn't have a very personal and immediate feel for the products we put out, I wouldn't be doing my job. That and the fact that I really like to read magazines. I give our editorial staffs a lot of feedback. I want them to know when I think something worked, and when I think it didn't.

Hearst is active in China, as are many publishers. Canadians, however, are not—not even the largest of them who have the muscle. Do you need an international brand before you can go marching into China?

Actually, China doesn't work that way. The government has very strict rules about licensing and content. When you go in, you have to go in under the license of an established brand. In our case, we are under the banner of Trends, which is the country's largest consumer publisher and run by the Ministry of Tourism. We have six titles in all. Five of them—*Cosmopolitan*, *CosmoGIRL!*, *Esquire*, *Good Housekeeping* and *Popular Mechanics*—are produced

in partnership with Trends and International Data Group. *Seventeen* is published with another partner.

Of all the titles, I would say only *Cosmo* came in with any significant brand identity. And it is the largest international women's magazine in China. As the markets grow, particularly in the growing urban areas where the standard of living is rising, the brands will grow with them. Getting in early is going to be a real advantage for us. As China settles into membership in the World Trade Organization and as market liberalization continues, there is going to be a major opportunity for more titles.

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PEOPLE IN PRINT

In a speech a few years ago, you referred to the “price-value tightrope” that magazine circulators must walk and the “giveaway mentality” that chewed into circulation’s bottom line during the ‘90s boom time. How can publishers bring those prices up?

I don’t think there is a blanket answer to that. We look at it title by title. But having said that, I think the days of virtually giving away titles to boost the rate base are over. Quality of readership is extremely important, especially when you are taking an ROI message to advertisers.

And margins matter. As painful as the ad slump was, it had the beneficial effect of making us look even harder at how we create value, and what it costs us. But you can’t just go in and unilaterally change the rules. You have to target increases where you have the most loyalty—titles like *Cosmo* or *Oprah*. It’s all very fluid right now. We’re still learning. But everybody is. The advantage is, a strong title is not a commodity. It has value and meaning. And people are willing to pay for that. We’re getting a much better handle on how much and in which situations.

How is growth possible in this age of mushrooming media choices?

I think there’s opportunity across all sectors. It’s really a matter of understanding what readers want from us, and then delivering it. It’s all about the content. That sounds pretty basic, I realize. But when you have a magazine that has been around for long time, and been a success, it’s easy to start seeing the world through your own prism. It’s easy to start judging success by things like media buzz and awards. Any successful magazine today has to adapt to a world where people want information that is fast moving and easy to access. They want to be surprised. They want you to deliver what they have come to love about you, but in unexpected ways. As for new publications, I think we’re living in a niche world. You have to find or create smaller communities of interest, and do it with precision. Our new publication, *Shop, Etc.* is a good example. We researched shopping to the point of exhaustion. We built a publication that covers fashion, beauty and the home in ways that gives people the information and perspective and advice that serious shoppers want. We saw that the point wasn’t to deliver a shopping magazine. It was to create a shopping experience.

Does Hearst have interest in the Canadian marketplace? For example, a certain degree of spillover is already occurring with *Cosmopolitan*, which is the best-selling magazine on Canadian newsstands at 324,000 copies per month, that’s a 101% improvement over its 1998 figure of 160,907 copies.

Cosmo is a pretty good example of our intentions in Canada. We distribute in Canada through Comag Marketing Group, which is a sales and marketing partnership with Condé Nast. It’s a good market for our titles, and we want to grow here. **M**