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TV Guide Cuts Path to Relevance

By JEREMY W. PETERS

There was a time years ago when TV Guide's fall television preview issues were hundreds of pages thick. Studios would clamor to get their ads placed next to the prime-time listings, knowing that the magazine sat on as many as 20 million coffee tables each week.

Then, somewhere between the invention of the onscreen channel guide and an advertising market crash, TV Guide was sold for a pittance to a private equity firm. Cue taps.

"The first thing I wanted to know when I got here was, 'Is it all dead, or mostly dead?'" said Jack Klinger, a fixture of the magazine business who took the reins of TV Guide last summer.

But over the last year, Mr. Klinger has led TV Guide as it made a serious, if pained, effort at clawing its way back to respectability. And in doing so, the magazine is helping to answer a question that is being asked across the media business: what does it look like when private equity runs a magazine?

In a word, smaller.

OpenGate Capital, which bought TV Guide two years ago for \$1, has in the last year cut 37 percent — about

\$30 million — from the magazine's operating costs, dropped more than 1 million subscribers who were paying next to nothing for the magazine and outsourced jobs.

Even Mr. Klinger, who led Hachette Filipacchi Media U.S. and held senior positions at Condé Nast over a career spanning three decades, has been outsourced. His official title is senior adviser to OpenGate, not TV Guide. "The main thing was paring down," Mr. Klinger said. "But \$30 million, you don't do that overnight." Everywhere Mr. Klinger looked, he seemed to find TV Guide was doing something it could not afford.

"The model at TV Guide was unique in that the subscriptions and newsstand were producing more revenue than advertising. The problem was the cost basis," he said. "It was run like a \$150 million-a-year company when it was only taking in \$120 million."

TV Guide started by bringing its circulation down, eliminating nearly 40 percent of its subscriptions, mainly those that were sold through agencies that offered the magazine at a significant discount. Some that were so low they brought in only \$2 or \$3 a subscriber.

A magazine that had 3.1 million subscribers in 2008 suddenly became one with about 2 million. The average price subscribers pay has risen by about \$1.50 in the last two years, to \$35 now, according to Audit Bureau of Circulations data.

But the magazine still had more employees than it could afford. Four areas of its business operations—circulation management, marketing, research and brand development—have been outsourced. When Mr. Klinger arrived, there were around 100 people working for TV Guide. Now there are close to 70, with employees having been both outsourced and let go.

But efficiencies will only carry the magazine so far. And analysts have questioned just how strong the magazine actually is.

"On the outside, it looks better. I wouldn't say it looks well," said Steve Cohn, editor in chief of the Media Industry Newsletter. "It was basically a patient getting last rites for a few years. And now I'd say it's not quite an endangered species anymore."

So far, TV Guide has had difficulty luring back advertisers who fled the magazine long ago. According to statistics from the Media Industry Newsletter, the number of ad pages in TV Guide is down 17 percent from last year.

Mr. Klinger said that ad sales had slowly started to pick up. The Sept. 20 fall preview issue will be the largest the magazine has had since 2007, with more than 34 pages of ads and 112 pages in all. And major advertisers like VH1 and CBS, which bought an eight-page insert showcasing its new fall programming, are returning.

"We're doing O.K.," he said. "I'd say we've hit third base."

Private equity companies have taken over media properties before, but the results have not always been smooth. Avista Capital Partners bought The Star Tribune of Minneapolis-St. Paul in 2007, but the newspaper declared bankruptcy in 2009 after cost-cutting proved not enough to overcome its mighty debt burdens.

The Reader's Digest Association was bought by Ripplewood Holdings in 2007. But it, too, crumbled under the weight of its own debt and sought bankruptcy protection. Outsourcing departments like information technology and direct mail saved about \$175 million, but that was a drop in the bucket compared with the \$800 million in debt the new owners agreed to take on and the \$1.6 billion they agreed to pay for the company.

OpenGate has nowhere near that kind of liability. It paid \$1 for the magazine and assumed close to \$100 million in subscription liabilities. And it also has a healthier ad market at its back.

"It looks like they're on the road to somewhat of a recovery," said Michael E. Parker, managing director of AdMedia Partners, which served as a part-time consultant to OpenGate around the time of the purchase but is no longer working on its behalf. "It's a great name and a great franchise. And it's been around for a long time. The fact that it still has two million subscribers is a pretty good indication in the digital age. How many magazines still have two million subscribers?"

The biggest problem for TV Guide has been remaining a must-read in



Jack Klinger, who took the reins of TV Guide last year, Debra Birnbaum, middle, editor in chief, and Lori O'Connor, publisher, at the magazine's offices in Midtown.

an era when television listings can be accessed by the push of a button on a remote control. Sure, it is one of the most recognizable brand names in American pop culture. But what good is the brand if the purpose for its existence has been rendered irrelevant by technology?

Under Debra Birnbaum, editor in chief, the magazine has become almost entirely devoted to articles about television characters, show reviews and feature articles—content that is intended to help television devotees who are overwhelmed with choices select what to watch. Listings comprise only 25 percent of its content now — almost unthinkable for a magazine that for decades was essentially pages and pages of black-and-white grids.

"It's like a handbook," Ms. Birnbaum said.

In essence, the strategy has been to turn TV Guide into an enthusiasts' publication, something like a Car and Driver or Field and Stream that has a particular target audience.

As a business proposition, enthusiast publications often work because advertisers like to know they are reaching an audience that will connect with their product. For example, CBS's ads in the Sept. 20 issue of TV Guide is the first time in more than a year that the network has advertised in the magazine.

"What I said to Jack is, if you can be relevant and important to the TV fan, that is key," said George F. Schweitzer, president of the CBS Marketing Group. "I think that's a good model. We want enthusiasts. We want to pay to find them."