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Time Inc

Time Inc.'s Trials

Big Publisher Pledges New Projects Despite A Series of Setbacks

Ad Pages in Life, Time Drop Though Circulation Rises; A Venture With GE Lags

New Magazine in Five Years?

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NEW YORK — Hard times have come to Time Inc.

The publishing empire built on the enormous success of Time, Life and Fortune magazines will report that it just about broke even at the annual meeting Thursday on first-quarter operations.

Such a disappointing result wouldn't necessarily portend disaster—the first quarter traditionally is a slender one for advertising revenues, and most of Time's major enterprises continue substantially profitable. But Time Inc. manifestly has troubles:

—Time magazine continues to lose ground in its battle with Newsweek, even though circulation is rising steadily.

—Life, down in advertising pages for nine of the last 12 years, is down again in 1969, although its circulation also is rising.

—Several nonpublishing ventures have turned sour at least temporarily. General Learning Corp., a joint effort with General Electric Co., has lost $5 million in its first three years. Selling Areas-Marketing Inc., a subsidiary selling computerized statistics on movement of goods from warehouses to supermarkets, has lost an estimated $6 million. A television investment in Venezuela has lost almost $3 million. And a $17.7 million investment in the stock of Metro-Goldwyn-Mayer Inc. has a current market value of only $12 million.

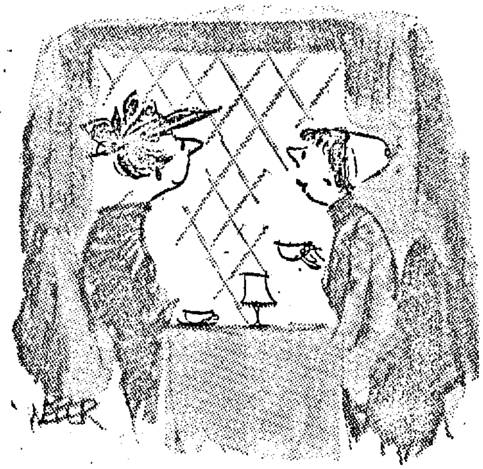
Undaunted

The reverses don't seem to dismay the men who have been running Time Inc. since the death of co-founder Henry R. Luce two years ago. "We're a company of optimists," says Edgar R. Baker, vice president and director of corporate development. Citing as an example Sports Illustrated magazine, which lost an estimated $28 million before it became profitable several years ago, Mr. Baker says: "If we had perfect foresight and knew all the problems down the road, we wouldn't start anything."

There is no talk of retrenchent. Time Inc. has just set up a group for new magazine development, with Richard M. Clurman, a vice president and former chief of correspondents in the Time-Life News Service, in charge. "I've already gotten a hundred suggestions from inside and outside the company," he says. "We're not going to stand still in this area. A major new magazine within five years is a distinct possibility." Time Inc.'s last new magazine was Sports Illustrated, launched in 1954.

If beginning a magazine was risky 15 years ago, it is more so today. Television is taking more and more of advertising budgets. The biggest victims of the trend have been the general-interest magazines like Life and the late Saturday Evening Post. Special-interest magazines like Fortune have suffered the least.

Though all four Time Inc. magazines have added readers at a rapid rate in recent years,



"Herb reads 'Fortune' and 'Sports Illustrated,' and I read 'Time' and 'Life.' That way we get the over-all picture."

Drawing by Weber; ©1964 The New Yorker Magazine Inc.

the gain is considered a mixed blessing. Advertising rates have gone up, too, pricing the Time Inc. periodicals out of the reach of many small advertisers. The number of advertising pages for Time magazine reached its peak in 1951, for Life in 1956, Fortune in 1960 and Sports Illustrated in 1966.

The biggest worry in the Time Inc. empire is Life. In 1956, the picture weekly carried an average of 91 pages of ads per issue. Last year's average was 54, and first-quarter ad pages this year were off to 40 from the year-earlier 44.

"Losses to TV are continuing, particularly in package goods," says Jerome S. Hardy, a vice president and publisher of Life. Some of the package goods makers hardly bother with magazines these days. Procter & Gamble Co., the nation's largest advertiser, spent $13 on TV last year for each $1 on magazines, according to advertising industry statistics. For General Foods Corp., the ratio was $20 to $1.

"Not only does Life charge $20,000 more for a one-page color ad than network TV does for an average night-time one-minute commercial," says the media director of one large ad agency, "but with sight, sound and motion, the commercial can usually do a better job of demonstrating the product."

Getting More Competitive

Life also is losing ground to Look magazine. For instance, both magazines carried ads last year for Clairol hair coloring and Bulova watches. This year only Look has these two advertisers.

"We have to get a hell of a lot more competitive without getting dishonest," says publisher Hardy. Life traditionally has ignored the competition in its ads aimed at Madison Avenue, but a recent one mentioned Look (unfavorably). New discounts are being offered to some advertisers, and the reward of bigger bonuses is being held out to space salesmen. Life recently appointed new directors of advertising sales and promotion.

Life leapfrogged past Look in circulation last year (it now has 8.6 million circulation, compared with Look's 7.8 million) by taking subscribers cast off by the moribund Saturday Evening Post. But Life then boosted its advertising rate for a four-color page to $64,200 from $58,375, while Look remained at $55,500. "The rate increase has cost us some business," Mr. Hardy concedes.

Life has been undergoing editorial changes, too. Stories now are longer and often reflect personal opinion, usually liberal and occasionally anti-Establishment. Muckraking stories, such as those dealing with the Mafia, are more common, as are pieces dealing with dangers to wildlife. "We're a crusading magazine," says George Hunt, managing editor.

At the same time, book, motion picture and theater reviews are giving Life a more sophisticated and literary tone. Indeed, Mr. Hunt says Life isn't a magazine for the masses any more: "The mass media today is TV; Life is a select magazine."

But it often appears that Life's promotion people are operating on a contrary premise. One ad boasts, "Now one out of every four Americans reads Life," and goes on to say that the 48 million adults and children who see Life each week are "16 million more people than ever watched any single regularly scheduled TV progam."

Just as Life is jousting with Look, and TV, Time magazine is tilting with Newsweek, and increasingly with TV. For the first time since 1959, Newsweek pulled ahead of Time's domestic edition in ad pages last year, and in this year's first quarter Newsweek's ad pages rose by 17% while Time's were off 4%. However, ad pages in Time's international editions climbed 10% in the first quarter. Time remains the company's most profitable magazine by far.

Time still leads by comfortable margins in total advertising revenue and circulation (5.2 million world-wide to Newsweek's 2.7 million). But as Time's circulation has grown, so has its vulnerability. "Our big competition (for ads) today is Life, Look and TV, not Newsweek," says James R. Shepley, a vice president and Time publisher.

Even so, ad men tend to compare Time to Newsweek, not always favorably. "It's a question of editorial vitality," says Robert Engelke, media director of Wells, Rich, Greene Inc. "Newsweek has a fresher feel to it; Time seems rather tired."

New Timestyle

Henry Anatole Grunwald, Time's managing editor, is trying to reform what has come to be known as Timestyle. He and his editors are ridding the magazine of bizarrely constructed sentences and penciling out many puns, obscure words and foreign phrases. "We still try very hard to be clever, but we try very hard not to be cute," Mr. Grunwald says.

The magazine continues to rely chiefly on anonymous group journalism, but it now occasionally allows correspondents and writers to personalize their accounts. A few stories now give credit to the author, and Mr. Grunwald is considering the use of signed essays and book, theater and movie reviews.

Since changing managing editors last year, Time's stance toward major issues has become less cocksure and conservative. "We used to separate the world into villians and heroes,"

continued

says Mr. Grunwald. "We've learned things aren't that simple." The magazine has changed its position on the Vietnam war, which cynical outsiders used to call "Time's house war."

"We've got to get out of it," Mr. Grunwald asserts. "We must keep up a military presence, largely of a defensive nature until we reach a reasonable settlement in Paris." Time now hopes for "substantial troop withdrawals very soon," he says.

The editorial ferment at Time has no counterpart at Fortune. Fortune seems to have no need to change. The business monthly has had a rise in ad revenues for the last nine years. Sports Illustrated, healthy since moving into the black in 1963, is ahead of last year in ad pages despite three rate increases in 12 months. The Time-Life Books division was an instant success when launched in 1961, and book sales this year are expected to approach $100 million.

Time acquired Little, Brown & Co., a prestigious Boston book publisher, last year. This year it expects to buy minority interests in British and Spanish book publishers, to add to existing minority interests in German, French and Mexican publishing houses.

Moving Too Fast

Time Inc. executives acknowledge their setbacks in various nonpublishing ventures, but remain hopeful for the future. James A. Linen, Time president, who conceived the idea for General Learning's plunge into computerized education during a round of golf with Fred J. Borch, General Electric president, says: "The theory was that the future of education is a marriage of software and hardware. The theory is still right, in my estimation, but it's going to be a long time coming." The consensus is that GE and Time overestimated American education's readiness to substitute computers for teachers.

Mr. Linen won't predict when General Learning might become profitable, except to say that it won't be in 1969. But he thinks that Selling Areas-Marketing Inc., the venture for supplying computerized data on the movement of goods, may move into the black next year. Grocery chains originally supplied SAMI with inaccurate and uncoded data, and it took a year and a half to work out usable statistics salable to food manufacturers.

SAMI, say Time executives, may branch out next year into selling data on movement of products to drug stores and later to variety stores. "The future looks damn good," says J. Clarke Mattimore, SAMI president. "This is potentially a big profit center."

Other turnarounds also are at hand, company officials aver. The Venezuelan TV venture suffered from competitive rate-cutting and from putting a signal tower on too low a hill. The tower has been relocated on a mountain, the competitive position has improved and the venture is expected to go into the black this year. Other minority interests in TV, in Brazil, Argentina, Germany and Australia, are profitable now, and Hong Kong's first TV station—another minority holding—is expected to become profitable soon.

On the home front, Time's five TV stations and four AM radio stations are profitable, and its four FM radio stations break even. But only four of 14 community antenna TV systems in which Time holds an interest made money last year. A $2.8 million investment in a Manhattan CATV venture has run into "horrendous problems," says Weston C. Pullen Jr., president of the Time-Life Broadcast division.

"Tenants won't open the door to salesmen," Mr. Pullen explains. Landlords have demanded payments, and theater owners are pressing for restrictive legislation on CATV. "We've taken our knocks here," Mr. Pullen says ruefully. A small investment in a pay-television experiment in London has been written off; it encountered hostility from cinema interests and only a lukewarm reception from viewers.

Pulp and Paper

Time Inc. has taken lumps in St. Francisville, La., where it owns 50% of two big machines producing magazine paper. The newest machine, incorporating new technology, has turned out paper at a higher cost than Time pays elsewhere. "It's 1968 performance was quite disappointing," says David M. Brumbaugh, exective vice president. But now the machine has been modified, and "it's doing much better," says Mr. Brumbaugh.

A wholly owned pulp and paperboard mill in Evadale, Texas, underwent a $43 million expansion in 1967, only to encounter an industry-wide slump in paperboard prices and a drop in profits. R. M. Buckley, a vice president, defends this venture. "This business can be good when the publishing business is bad," he says. "Time could have done better by investing in Xerox, but that's hindsight."

Time didn't do well in its $17.7 million purchase of MGM stock, at $59 a share. The big movie-maker has suffered box-office disappointments that dragged it into the red. The stock closed yesterday at $38.25. However, Mr. Baker, the corporate development chief, says the 5.5% interest has given Time "a front-row observation post" in Hollywood and has provided "substantial stimulus" to Time's own film-making activities.

Time Inc. is buying into the newspaper business. It has agreed to purchase a company that operates a profitable chain of 22 Chicago suburban weeklies and an unprofitable commercial printing plant. The plant will be kept busy putting out Time's direct-mail promotional pieces presently farmed out to other job shops.

Otto Fuerbringer, a vice president, has been looking for metropolitan and suburban daily newspapers since leaving the Time managing editorship last May. Most available papers are overpriced, he says, and the search is "going very slowly." Mr. Fuerbringer points out that newspapers are "making a comeback in circulation, advertising and profitability," at a time when consumer magazine advertising seems to have reached a plateau.

Mr. Linen declines to forecast 1969 financial results. Last year's operating net income of $27.1 million, or $3.76 a share, was down from the 1967 net of $31.2 million, or $4.36 a share, and 1966 earnings of $37.3 million, or $5.40 a share. Its profit margin shriveled last year, too—dropping to about 4.8% from 6% in 1967. Time's stock, which reached a high of $115 in 1967, ended 1968 at $99.50 and closed on the New York Stock Exchange yesterday at $81.50.

Though Time has grown to a big corporation with 10,200 employes (revenues in 1968 were $567.8 million, up from $519.6 million in 1967), it retains some of the paternalism of its early days under Henry Luce's personal management. High salaries, liberal fringe benefits and a certain clubby esprit de corps keep employes loyal. The company makes a practice of finding spots for burned-out old-timers. "One of our problems," Mr. Linen acknowledges, "is holding on to people too long."