



Media & Entertainment - Operations and Strategy

## Legends of BusinessWeek's fall

EXCLUSIVE

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By Sarah Barry

It would seem that 2009 should have been BusinessWeek's year.

With foreclosure rates soaring, stock prices plummeting and then recovering, and criminals such as Bernard [Madoff](#) making off with billions, Americans were never more interested in financial news. But rather than 2009 being the year that BusinessWeek rose to the forefront with in-depth reporting and surging newsstand sales, the magazine continued to suffer stinging losses and is now on the auction block.

"If you think about it, if there was any time that we needed a business weekly that would make sense of what's going on, now is the time," Samir Husni, the director of the Magazine Innovation Center at the University of Mississippi's School of Journalism, told SNL Kagan. "Yet, look what's going on with it."

The bidders for BusinessWeek reportedly are Bloomberg LP, New York Daily News owner Mort Zuckerman, the private equity firm OpenGate Capital, as well as the investment company ZelnickMedia LLC. The magazine reported Sept. 29 that of the potential buyers that submitted revised offers for the publication, Bloomberg appears the most interested in pursuing a deal.

According to the report, Bloomberg Chief Content Officer Norm Pearlstine has already been speaking to top editors at BusinessWeek about potentially adding Bloomberg Professional stories to the magazine and increasing its number of editorial pages. The professional service is used by banks, investment institutions, news agencies and others as a source of real-time and historical financial news.

Industry observers have also expressed optimism about a Bloomberg purchase. **Michael Alcamo**, president of the media investment bank **MC Alcamo & Co. Inc.**, told SNL Kagan, "I think competing against the other business magazines, Bloomberg would be immensely successful." He noted that the company already had the office space and printing facilities and therefore would need to make very little capital investment to bring the magazine under its umbrella.

"Say Bloomberg buys BusinessWeek, hypothetically," Alcamo said. "They will continue to put in high-quality editorial, and then they just have to sell ads around it. So the cost of selling ads, or the cost of goods sold, is the sales commission and the cost of the

paper and ink." That formula, he said, could lead to very high margins for a Bloomberg-owned BusinessWeek.

But while Bloomberg may be interested in a deal, it remains unclear what price the company or any of the other bidders might be willing to pay for it.

When McGraw-Hill Cos. Inc., which owns the magazine, announced in July that it was exploring options for the publication, speculation began to surface that BusinessWeek might sell for only \$1. Notably, one of the potential buyers for the magazine, OpenGate, paid that amount when the company bought TV Guide in December 2008.

Indeed, BusinessWeek's recent financials have left much to be desired. The magazine reported earlier this month that it lost roughly \$20 million in 2008 and is on track to lose slightly less than that in 2009. Those figures, though, do not include corporate overhead charges, which significantly increase the losses for both years.

Driving this poor performance is a steep reduction in advertising revenue. McGraw-Hill said in July that during the second quarter, the magazine's global edition saw its number of advertising pages drop 34.3%. Moreover, BusinessWeek reported that its print ad revenue in 2006 was more than \$109 million. In 2009, by contrast, it is expected to be \$59.7 million.

While some might fault the recession for BusinessWeek's troubles or the secular shift away from print advertising in general, Husni said the magazine's woes are worse than most publications' because of the editorial changes that have been made there in recent years.

"It's a shame when you have an institution magazine like BusinessWeek that, through their own doing, has devalued its content and its mission," he said. "They have reduced its DNA to almost nothing. They've bled that magazine almost to death, and now they are putting it up for sale."

In October 2007, the magazine updated its logo, typefaces, graphics and content. It switched to three long articles per issue instead of just one, moved its columns to the back of the publication and axed its lifestyle section entirely. At the time, McGraw-Hill reportedly hoped the changes would help the magazine to attract advertisers targeting upper-class, educated readers and also lead to the magazine drawing a broader subscriber base.

Husni, though, said the magazine lost what once made it a popular and reliable source of comprehensive financial news and analysis.

Alcamo also noted that however the BusinessWeek deal progresses, the market for other titles, depending on the category, has been quite healthy. "Bonnier [Corp.] bought a group of consumer titles this past year, and our company represented Pittsburgh Magazine in its very successful sale," he said. "We've also been quite busy with business-to-business titles, so the business-to-business magazine market I would say remains very robust."

Still, if BusinessWeek fetches a price as low as \$1, not including debt, it will be hard for the deal not to cast a pall over potential transactions involving other major consumer titles.

A managing director for Time Warner Inc.'s largest shareholder, The Capital Group, recently said he expected the media conglomerate to eventually sell its Time Inc. publishing division to focus more on its entertainment holdings, for instance.

Further, reports surfaced that Johnson Publishing Co. could be trying to find a buyer for Ebony. The publisher told the Chicago Sun-Times in a Sept. 29 report that it was "exploring a range of options to support our core media business" but would not confirm or deny it had put the title up for sale.

As for McGraw-Hill, the company has largely remained mum about the offers that have come in for BusinessWeek. A spokesman told SNL Kagan that the magazine "has generated a meaningful level of interest ... and we're pleased that the process, which will take some time to complete, continues to go well."

Still, given the magazine's financial troubles and how little is known about the bids that have been submitted, it is not surprising that expectations remain low.

"You're not seeing takers jumping left and right," Husni noted. "I guess the reason we are not seeing this big, huge jump in activity for people to buy it is they are wondering, 'Can we feed this cow to bring it back to being a milking cow, or is the cow on the verge of death?'"