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I am submitting herewith a thesis written by Karen Pamela Lawrence entitled "Two Commonly-Owned Business Magazines: A Case Study of Editorial and Managerial Perspectives." I have examined the final copy of this thesis for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Science, with a major in Communications.

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The Graduate School

TWO COMMONLY-OWNED BUSINESS MAGAZINES: A CASE STUDY OF EDITORIAL AND MANAGERIAL PERSPECTIVES

A Thesis

Presented for the

Master of Science

Degree

The University of Tennessee, Knoxville

Karen Pamela Lawrence

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DEDICATION

I dedicate this thesis to my parents
whose enduring love, patience, and encouragement
helped make all my accomplishments possible.

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ABSTRACT

This study examined the history and the editorial and management policies of two Tennessee business magazines under common ownership. Advantage and Tennessee Business developed as part of a national trend in the business publishing industry.

Primary data were gathered through four days of personal interviews with the editors, advertising directors and production director of the magazines and the corporate treasurer.

Advantage had the more stable concept and clearly defined purpose of the two magazines. The editor's consistent editorial focus kept the magazine relevant to local business people. He helped build circulation and increase relevance by broadening the appeal demographically and geographically.

In contrast, Tennessee Business lacked a clear concept and consistent editorial purpose. The magazine was started in the same year the parent company developed financial problems. Staff turnover, change in editorial content and missed newsstand deadlines characterized the magazine's first year of publication. By April 1984, management had reorganized and obtained additional financing.

The study suggests that there may be significant differences in city and regional business magazines. A different marketing and editorial strategy may be appropriate for each.

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CHAPTER I

INTRODUCTION

During the late 1950s, specialized magazines emerged as a trend in magazine publishing. Prior to the 1950s, most magazines were targeted to general interest audiences. With the growth of other general interest targeted media, namely television, magazines began shifting to specialized editorial content.

In 1956, magazine historian Theodore Peterson predicted the emerging dominance of specialized magazines in Magazines in the Twentieth Century. Peterson said, ". . . the future, and indeed the present, belongs to the special-interest magazines."

Montoro's study (1976) of the editorial content of regional magazines in the United States confirmed Peterson's prediction. Montoro reported, "Specialized magazines have emerged as a major force, if not the trend, for the future of the industry."

Specialized magazines varied in editorial matter. One type of specialized magazine that emerged was the city magazine. It emphasized consumer interests and lifestyles of a city with readership targeted to the city's residents. There also emerged city and regional business magazines. These specialized magazines concentrated on bringing in-depth local business news in the city and region to area business people. Another type of specialized magazine that flourished was trade journals, targeted to various professions. Their editorial content emphasized current issues and developments in the professions.

Growth of the specialized magazines continued through the 1970s and into the early 1980s. This growth included not only more city and business magazines, but also magazines on health and exercise, computers and handcrafts. The proliferation of city magazines and local and regional business magazines was described by John Naisbitt in Megatrends (1982) as a reflection of a trend toward decentralization.

> Celebrating our geographical roots as a part of the decentralization megatrend has inspired the phenomenal rise of state, city and regional magazines. The next wave of geographic publishing--already under way--is a boom in local and regional business magazines. (p. 123)

Regional publication described a publication that emphasized local or regional editorial matter. The publication could have a four-color magazine format or a black and white tabloid format.

The specialized, four-color local and regional business magazine is the subject of this study. The local and regional business magazine has existed as a form of the specialized magazine market since 1958. Local business magazines are targeted to a city and its immediate area. Regional business magazines are targeted to a state, several areas of a state or the area in which several states intersect.

During the 1970s, local and regional business magazines flourished. Evidence of their growth was reflected in the increased membership of the Association of Area Business Publications (AABP), a trade association of local and regional business publications. The AABP was founded in 1979, with 14 members. In 1983, the AABP had 74 members and four associate members.

Rodding (1981) reported the local and regional business magazine industry resulted from the increased interest in business news and the advertiser appeal of specialized magazines:

> Riding the trends of increased interest in business and the economy and increased advertiser interest in narrower, more highly defined audiences, local and regional business publications are springing up across the country and in Canada. (p. S-20)

Advantage, a monthly Nashville business magazine, and Tennessee Business, a bi-monthly statewide business magazine, were started to analyze and report local and regional business news to specialized business audiences. The magazines were the only for-profit, localized business news magazines targeted to Tennessee business people.

Both magazines contained feature stories on area business people or locally-based companies, articles on current issues or trends in business, industry updates and business statistics. The magazines' emphases on business news was in contrast to the narrow coverage of business news by the business sections of local daily newspapers, targeted to the general audience.

Advantage and Tennessee Business were published by the Advantage Co., Inc., in Nashville. In addition to the two business magazines, Advantage Co. also published Nashville!, a monthly city magazine and Contemporary Administrator, a monthly trade magazine for the nursing home industry. It also published annual city guides and business directories.

The Advantage Co., established in 1980, was in the food and lodging and publishing businesses. During 1983, Advantage Co. lost nearly $3 million. In an effort to recoup this loss, Advantage changed its upper management and sold its food and lodging businesses. Advantage Co. anticipated 1984 as a year of turnaround with the guidance of a new chief executive officer, new financing from a private placement of stock and the identification of publishing as its only business.

I. PURPOSE OF STUDY

This situation affords an unusual opportunity to study a local and a regional business magazine owned by the same company.

The study examines the development, editorial philosophies, article content, advertising content, readership, circulation, profitability and future expectations of both magazines. The study also examines the extent to which the magazines are affected by the publishing company's financial and managerial problems.

Information was gathered through four days of personal interviews with the editorial staffs, advertising directors and production director of the magazines and the treasurer of Advantage Co.

A study of regional business news magazines published in Tennessee is appropriate because of Tennessee's rapid economic growth. An increase in business activity in the state generates not only more local business news, but also the need for access to the news by area business people.

In 1981, Tennessee's gross state product was $51.1 million as compared to $46 million in 1980 and $20.9 million in 1972. Business and industry made up one-third of the gross state output in 1981. Of the $51.1 million gross state product in 1981, 34.4 percent of it came from the manufacturing sector. Wholesale and retail trade contributed 15.5 percent of the state's economy in 1981. Finance, insurance and the real estate industries made up 11.9 percent of the 1981 economy. Of those employed in 1980, 29 percent held an executive, administrative, professional, specialty, technical or sales job. These workers are the target readership of local and regional business magazines.

Tennessee's economic future continues to be dominated by manufacturing. According to an annual study (1984) done by the Alexander Grant & Co., a Chicago accounting firm, on the 1983 manufacturing business climates of the lower 48 states, Tennessee ranked 14. The study was based on 22 quantifiable factors, such as energy costs, taxes, wage rates and unionization, that are most directly related to the cost of doing business.

II. OTHER CITY AND REGIONAL MAGAZINE STUDIES

Previous studies have been done on local and regional magazines that emphasized consumer or business-oriented editorial matter.

Cook's case study (1983) of a specialized magazine publisher reported the specialized magazine resulted from changes in American society. These changes were the movement to job specialization, assertation of new freedoms and tastes, spread of education, a consumer haven and increased opportunities to pursue interests.

Two studies were done on the editorial matter and advertising content of city magazines, the predecessors to city and regional business magazines.

Fletcher's study (1977) of city magazines as perceived by their editors and publishers found the medium was growing because of its focus on local editorial matter that had not been covered in national publications, and only narrowly covered in local daily newspapers. The study also found city magazines were growing in prominence because of their potential as an advertising medium. But the respondents reported problems in acquiring advertiser support, particularly from national advertisers, building circulation and maintaining quality editorial.

Fletcher and VandenBergh's followup study (1982) found that some city magazines had developed into metropolitan magazines. The metropolitan magazine was locally focused but contained one theme about the city, such as gardening or sports, as compared to general consumer interests in city magazines. The editors and publishers of the magazines perceived their magazines' success because of the local theme. But they still reported problems in attracting national advertisers and circulation.

Fletcher, VandenBergh and Adrain's study (1984) of local business magazines found the development here parallelling the growth of city magazines. The local business magazine was seen as filling an information need for more local business editorial matter. As with city magazines, the editors and publishers of the local business magazines reported problems in attracting advertisers, particularly national advertisers, building paid circulation and maintaining quality editorial content.

A study of chamber of commerce magazines by Houk (1970) found the purpose of these 40 specialized magazines throughout the United States was communication with its members and prospective members and in some way direct the activities of the city.

Stockard's case study (1978) on the evolution of Business Week, a national business magazine, from 1929 to 1975 examined its changes in format, content and editors.

Studies of specialized magazines have also explored the magazines' attraction for national advertisers, editorial independence and paid versus controlled distribution.

Cornell's study (1979) of national advertising in three metropolitan magazines reported the higher educated, upper income readership appeal of the magazines made the advertisers use marketing and media strategies different from what they used for products targeted at more heterogeneous audiences. Cornell also found limited product distribution, media cost efficiency and editorial and graphic requirements affected the advertiser's use of metropolitan magazines.

Relationships between editorial and business executives of city magazines was studied by Moon (1969) through a survey of editors of chamber of commerce magazines and independent magazines concerning internal and external pressures on them. Moon found the chamber editors were free from pressures from the membership and management, and relatively free of advertising pressures. Independent magazines' editors faced severe financial problems, advertising pressures and the need for bizarre format to get attention.

Wainwright's study (1966) of the controversy over paid and free distribution of business magazines traced the split in the industry of paid versus controlled circulation of business magazines. He also examined the history of the Audit Bureau of Circulation as it related to business magazines.

Previous studies of specialized magazines indicate researchers' interests in this publishing phenomenon. These studies suggest the movement in magazine publishing to specialized editorial matter. Furthermore, previous studies illustrate the case study as a workable methodology for investigation of specialized magazines. This study of Advantage and Tennessee Business attempted to add information on the development of two local and regional business magazines as part of the specialized magazine phenomenon. It also attempted to provide insight into the management of two magazines owned by a financially and managerially troubled company.

CHAPTER II

BACKGROUND

Local and regional business publications have been published for more than three decades. These publications had local or regional business editorial matter in either four-color magazine or black and white tabloid format. Collectively they were called area business publications.

The Long Island/Business Newsweekly, a regional weekly business tabloid, has been published since 1952. Paul Townsend, the tabloid's editor and publisher, started the publication to fulfill the need for general coverage of local business news. Townsend said, "There were specialized papers featuring shipping, law or real estate matters on the local level but few, if any, with general coverage of business news." (Lionel, 1979, p. 35)

Florida Trend, a statewide monthly business magazine, began publication in April 1958. According to Kelsey (1984), Florida Trend was North America's first state business publication. Florida Trend was started by Harris Mullen, a former reporter, to fulfill a need for a source of local business news. Mullen sold the magazine in 1979 to The Times Publishing Co., publisher of the St. Petersburg Times and the Evening Independent.

There are several explanations of what caused the area business publications trend. One explanation was that area business publications and their predecessors, city magazines, resulted from the country's movement toward an interest in regionalization. Another explanation was that the global shift in energy sources enhanced regional differences in the United States, according to economic analyst, Charles Komanoff. Komanoff contended that because Texas ran on native oil and New York imported oil, the states would have different business interests. He thought these differences would become rallying points for business groups. (Keller, 1983)

I. PURPOSE

According to Rodding (1981), area business publications resulted from a combination of movements: the general boom in interest in business reporting, a broadening interest in business, the entrance of women into business on a large scale and the high cost of media. But the most often cited reason for the growth of area business publications was the increasing interest in business news. Business Week (1981) reported that business had been the major national news story since the Arab oil embargo of the early 1970s and the subsequent quadrupling of energy prices. As the declining economy became a major news story in the 1970s, interest in business news continued.

Joe Cappo, former business columnist for the Chicago Sun-Times and publisher of Crain's Chicago Business, a local business tabloid, agreed interest in business news had heightened:

> Back in 1968 the news was Vietnam, the youth rebellion and law and order. Now it's the dollar, taxation, overregulation, inflation, recession. Those are the fad words today. (The New York Times, 1979, p. D1)

Cappo said with the need for more business news came the need for better business news, particularly at the local level:

> For some time, in response to a growing interest in business and economic news, daily newspapers and national magazines have been enlarging their staffs and national business publications have been opening additional bureaus across the country. Now publications are springing up in dozens of cities to fill a demand for strictly local business and economic news. (The New York Times, 1979, p. D1)

Area business publications were started to fill an information gap between the in-depth analysis of the national economy by national business publications and the narrow coverage of the local economy by local daily newspapers. The national business publications, such as Business Week, Fortune, Forbes and The Wall Street Journal, concentrate on reporting and analysis of the national economy and major corporations. The local newspapers' business sections generally report stock quotations and personnel changes of area business people.

"There's a tremendous hunger for local and regional business news," said Lewis Conn, founder of Kentucky Business Ledger, a monthly state tabloid. "The national business publications can't possibly begin to touch it and the local dailies for the most part do a very poor job." (Hogan, 1982, p. 35)

The area business publications gave the local businessman business news about his community he either could not get or could not get in detail from other media. According to The New York Times (1979), the publications gave local business executives the information and insights they needed to operate intelligently in an increasingly complex environment. Wadyka (1982) reported:

> These local publications, which do not compete with national magazines, such as Business Week, Forbes, Fortune or The Wall Street Journal, offer a unique product-local business editorial-with direct implications for the local businessman. (p. 112)

The area business publications trend was cited by Hogan (1982). He reported that editorial entrepreneurs:

> . . . are feverishly prospecting for new territory in what may be the hottest, fastest growing segment of today's media marketplace: city, state and regional business publications. (p. 35)

The Association of Area Business Publications (AABP), a trade association for the publications' publishers, was established in December 1978, with 14 members. By 1983, the AABP had 74 members. The membership consisted of 31 magazine, 42 tabloid and one broadsheet formats. The member publications' frequencies were 31 monthlies, seven bi-monthlies, one quarterly, 30 weeklies, two bi-weeklies, two dailies and one 11 times a year. The AABP established a general statement of purpose and criteria for membership to bring more uniformity among its type of member business publications. (See Appendix A)

The number of area business publications grew not only because they filled an information gap, but also because they filled an advertiser's need to reach a specific, highly defined audience for media cost efficiency. (Frost, 1983)

Wadyka (1982) reported the poor economy forced agencies to cut back advertising budgets. Consequently, media buyers were anxious to find an assured targeted market segment. A targeted market segment was what area business publications claimed to offer.

II. READERSHIP/ADVERTISING

The area business publications gave advertisers a college educated, most likely male, upper middle or upper income and middle or upper management readership. The publications, particularly the magazines because of their high reproduction quality, had obtained local advertiser support. Local advertisers in the magazines were typically restaurants, hotels, real estate and land development companies, area financial institutions and local luxury car dealers. But the magazines had not obtained many national advertisements. National advertisements accounted for 10 percent of the advertising in California Business, the state's monthly business magazine, in 1982. Texas Business, another state monthly business magazine, reported 20 percent of its advertising in 1982 was national advertisements. Lewis Conn, executive director of the AABP, said the current national advertising in the publications industrywide was 10 percent. (Keller, 1983)

Finding national advertising was called the final hurdle for the AABP publications. Michael Ephron, executive vice president and media programming director at Scali, McCabe and Sloves, said there was national advertising potential for the publications:

> I don't think anyone doubts that national advertising is the frontier for these books. They've got some real potential. I'm talking national advertising. (Keller, 1983, p. 36)

Publishers believed national advertisers were not using the area business publications because they lacked knowledge about their function and readership. Also, the variety of formats and frequencies of the AABP membership caused national advertisers difficulty in buying advertising space.

The AABP attempted to get its member publications credibility with national advertisers through the membership requirement of a Business Publication Association or Audit Bureau of Circulation audit. These circulation audits allowed the publications listings in the Standard Rate & Data Service (SRDS), a directory of publications advertising rates. The SRDS listings enabled national advertisers access to information on the publications.

But the major reason for the slow coming of national advertisers had been the lack of standardized research on the AABP members' readership. The AABP commissioned subscriber studies of its publications to prove their affluent readership.

James Spero, senior vice president and media director at Doyle Dane Bernbach/West, said the subscriber study information would be helpful to national advertisers but more in-depth information, such as full audience studies, would be more informative. Spero said:

> Good, consistent research is essential if you want to sell yourself to Madison Avenue. We have to know what we're buying with our dollars. I'm still not happy with the amount of research there is in the field, but it's certainly better than it was. (Keller, 1983, p. 36)

The AABP commissioned Don Bowdren Associates in 1982 to do a subscriber study of a sample of the area business publications. The 12 publications used volunteered for the study, with additional publications planning to participate in future subscriber studies. The AABP commissioned the study for every two years on the even numbered years (1982, 1984, 1986, etc.)

The 1982 Bowdren study results confirmed the AABP's affluent readership. The subscribers of the 12 publications had average total household income of $108,550, with the median net worth of $379,600. Of the subscribers who responded, 73.2 percent had a business or professional title ranked in top management. Seventeen percent of the subscribers ranked in middle management and 3.8 percent in professional and technical services.

Ninety-two percent of the respondents were male, with 76.7 percent between the ages of 35 to 64. Twenty-nine percent of the subscribers reported graduating from college with 20 percent having a post-graduate degree and 15 percent having done post-graduate work. Thirty-three percent of the subscribers were either chairman of the board or president/chief executive officer of their business. Finally, 53.5 percent of the subscribers served on their company's board of directors. (Subscribers of Area Business Publications, 1982)

In addition, California Business, Texas Business and Florida Trend, had a joint Bowdren readership study conducted to establish credibility with national advertisers. These magazines grouped together for a study because of similarities in format, frequency and concept. The study, reported Keller (1983), showed the average household income for the readers to be over $110,000, with a median of over $65,000. The average net worth was close to $1 million, with the median around $333,000. According to the Bowdren study, chairman of the board, chief executive officers and presidents accounted for roughly 20 percent of the readers.

AABP members were confident their publications had an affluent readership that could entice national advertisers away from using only national business publications. According to Rob Trowbridge, former executive director of the AABP, the way to do this would be to educate agencies on reader interest in local media. (Faber, 1981)

Others predicted national advertisers would use AABP publications only as a secondary vehicle in extending campaigns from national publications into heavily targeted markets. Michael Ephron of Scali, McCabe and Sloves explained:

> You're selling bourbon, say, and bourbon does well in Florida, so you go into a(n) (AABP) book there in addition to your Newsweek shot. Or you're selling an expensive imported automobile so you want to stress the affluent markets. You buy California, Texas and so on. That's your basic scenario. (Keller, 1983, p. 36)

Staffers of other national business publications agreed that national advertisers might use the AABP publications as extensions of campaigns from their publications, or for testing campaigns. But they did not think the AABP publications would ever be used as replacement advertising media for the nationals.

Don Garson, director of corporation communications at Forbes, explained the situation this way:

> I'm sure they're getting into the market, but they're not getting into our market. National advertisers are not going to give up advertising in Forbes in favor of a local business magazine in Dallas or Chicago. The people who advertise in Forbes want to reach a national audience and you can't do that in a regional. (Faber, 1981, p. S-22)

In an effort to attract more national advertising, some of the AABP publications similar in format and readership demographics joined together to offer discount combination buys. Texas Business, Florida Trend and California Business joined together in a Sunbelt network to present advertisers with a united front. The Sunbelt buy consisted of any two of the three magazines and generated a 5 percent discount. Advertising purchased in all three publications generated a 10 percent discount.

Some of the AABP magazines have also retained advertising sales representatives in New York as an aid to boost national advertisements. Camille Harris, head of the Harris Group, representing California Business and New England Business, said financial institutions, luxury foreign car dealers, hotels, liquor, airlines and office equipment were the types of national advertisers who bought space.

Connie Livsey, New York advertising sales representative for the Cordovan weekly business tabloid chain, said she had to spend most of her time educating national advertisers about the function of area business publications. Keller (1983) summarized the status of AABP publications advertising prospects with New York representatives:

> Briefly put, the New York rep scene for these books (AABP publications) is in its infancy, and there is a lot of flexibility for an advertiser. (p. 36)

III. CIRCULATION

Total circulation of the area business publications was estimated by Conn in 1983 at 1.25 million. He said this number was constantly increasing because new area business publications kept coming and existing ones had room for growth. According to the SRDS, April 1983, circulation for the publications ranged from 5,808 for the Westchester Business Journal to 71,082 for California Business.

The area business publications' circulation figures were a mixture of paid circulation, subscriptions and newsstand sales, and controlled circulation, copies distributed for free. The publications vary widely in the amount of paid and controlled circulation. For example, the paid circulation of California Business in April 1983 was 55,407 with subscriptions making up 48,713. These figures gave it the largest paid circulation among AABP publications. Its average non-paid distribution totaled 15,675. In comparison, Westchester Business Journal's circulation of 5,808 was divided between 1,286 paid and 4,522 non-paid distribution.

The area business publications boast a pass-along reading factor because most subscribers read them at the office. This fact was supported by the 1982 Bowdren subscriber study that showed 68 percent of the subscribers reported reading their issue at the office. In addition, the subscribers reported an average estimate of 2.8 people, other than themselves read or looked through the average issue of the publication.

IV. EDITORIAL QUALITY/CONTENT

Editorial quality varied among the AABP publications. The uneven editorial quality among the membership was cited by Lewis Young, editor in chief of Business Week:

> Overall, the quality of the regionals is irregular. Some of them are better than others--some do a very good job, but a lot of them have a long way to go. (Faber, 1981, p. S-22)

Furthermore, the editorial quality of the national business and the area business publications was not comparable, according to Robert Bleiberg, Barron's editor and publisher. Bleiberg said:

> I don't think the regionals match the nationals in quality. They can't afford the editorial independence that we take for granted. It's something that takes time and has to be earned. I would be surprised and delighted if they were in a position to show that kind of independence. I salute their efforts. (Faber, 1981, p. S-22)

The AABP was aware of differences in the editorial quality of its membership particularly the differences between the magazines and tabloids. It was hoping stricter requirements, such as using no more than one-third business boilerplate, syndicated copy, would bring greater editorial uniformity. Rob Trowbridge, former executive director of the AABP, said:

> There is a definite split in the organization between the slick magazine group and the tabloids. Who really is out there with tight journalistic standards? We now are putting down requirements for membership that we would have never have dared to two years ago. (Hogan, 1982, p. 37)

The AABP had also attempted to improve editorial quality of the publications by having a team of judges evaluate editorial submissions from members. James K. Gentry, director of the business journalism program at the University of Missouri, who headed the team of judges for two years, thought the four-color magazines did a better editorial job than the tabloids. Gentry said he attributed the magazines' higher editorial quality partly to their owners generally putting more money back into their operations.

Gentry thought the area business publications had poorer editorial quality than the national business publications because salaries for writers and editors were typically the biggest start-up expense. Therefore, many of the area business publications had lean and inexperienced staffs.

Many of the area business publications were filled with news releases, canned stories from public relations agencies or columns of listings: new incorporations, bankruptcies, building permits, zoning variances and airline schedules. Conversely, the editorially higher quality area business publications concentrated on in-depth coverage of local business news and in-depth local business features. (Hogan, 1982)

Some of the AABP publications' in-depth reporting had gained breaking business stories in their areas before local dailies.

Crain's Chicago Business was credited with getting and printing confidential marketing strategies of Sears, Roebuck and Co. and McDonald's Corp. The St. Louis Business Journal was credited with getting stories on Apex Oil Co., a privately held St. Louis-based company with yearly revenues of $8 billion. Apex was traditionally publicity shy and had seldom given interviews to any of the local dailies.

Joe Cappo, publisher of Crain's Chicago Business, said he was able to break those kind of stories because he had hired ex-newspapermen, like himself, while many of the publications relied on free-lancers for their stories. Other publishers agreed their writers needed a background in journalism, preferably with business writing experience, to do in-depth business reporting. Bob Gray, president of the Cordovan business tabloid chain, said he preferred staffers with previous newspaper experience. But he thought there were few trained, professional business journalists in the country. Consequently, he trained many of his reporters on the job. The skills Gray liked his reporters to bring to the job were the ability to meet daily deadlines, do quick and accurate research and the ability to turn out good, clean copy under time pressure, which were all learned through newspaper reporting. (Scripps-Howard News, 1981)

V. OWNERSHIP

Many of the area business publications were owned by area entrepreneurs who recognized the demand for a local business publication. There were also three ownership chains of area business publications. Two chains owned business tabloids and one owned business magazines. The largest was the Cordovan chain, a division of the E. W. Scripps Co. As of July 1983, Cordovan had 12 weekly business tabloids around the country: Atlanta, Dallas/Ft. Worth, Houston, Los Angeles, Miami, Phoenix, Pittsburgh, Denver, San Diego, Seattle and Washington, D.C.

Bob Gray, former newspaper reporter, began the tabloid chain in July 1971 with the Houston Business Journal. It was the first business tabloid to cover just a city. Previous business publications had covered a state or a region. The Houston Business Journal was conceived by Mark B. Inabnit, an advertising staff employee of the Petroleum Publishing Co. After Inabnit was unable to obtain outside financing, he turned the idea over to Cordovan and joined the company as associate publisher.

Cordovan started its second tabloid in 1978 in Atlanta. In 1979, it went into the Los Angeles and San Francisco markets. In 1980, the company started four more tabloids and merged with Scripps out of need for additional capital to continue rapid expansion. After Scripps added money to Cordovan it expanded at a rate of a new journal every three months.

Another chain in the area business publication medium was Business Press, Inc. Based in Indianapolis, it published weekly tabloids in Indianapolis, St. Louis, Pittsburgh and Philadelphia. Business Press's tabloids were set apart from others in the industry by resembling The Wall Street Journal in format and use of illustrations on the front page.

Dorn Communications owned a chain of business magazines: Corporate Report/Minnesota, Corporate Report/Kansas City and Minnesota Business Journal.

VI. INTRA-INDUSTRY COMPETITION

The trend of area business publications had seen intra-industry competition develop in some cities. Alter (1982) reported on area business publications competing in the Minneapolis market. In that market there were two monthly business magazines, the Corporate Report/Minnesota, published by Dorn Communications and Minnesota Business Journal, published by Update Publishing. Dorn Communications dealt with its competition by acquiring the Minnesota Business Journal.

In Pittsburgh two weekly business tabloids were in competition. One was owned by Cordovan, the Pittsburgh Business Journal, and the other was owned by Business Press, Inc., the Pittsburgh Business Times. The owners attempted to offset competition by having different editorial philosophies. The Pittsburgh Business Journal provided analysis and background information on area business stories. Conversely, the Pittsburgh Business Times reported on only current business issues in the area.

Another alternative to having two area business publications in the same area was having different formats and frequencies. Alan Duerr, vice president of Dorn Communications, thought a city could sustain two area business publications if one was a weekly tabloid and one was a monthly magazine. Duerr said the two publications could offset competition by the tabloid reporting current business news and the magazine reporting in-depth analysis of past business news. (Alter, 1982)

VII. PROFITS

Profits vary among the area business publications. The older established publications made the largest profits because of large paid circulations and high advertising revenues. For example, revenues at Florida Trend, for the first half of 1983 equalled those for all of 1980.

The tabloids tended to make profits quicker than the magazines because of lower start-up costs. For example, Crain Communications started Crain's Chicago Business in June 1978 with a $3 million investment. In 1979, the tabloid had gross operating revenues of almost $1.5 million. In 1981, this revenue climbed to nearly $4.3 million and was projected to be near $6 million in 1982.

According to McGrath (1982) start-ups can cost up to $1.5 million with the estimate that a market needed a minimum population of one million. High start-up costs can be a factor in depriving some markets of area business publications. For example, as of early 1983, no one had attempted an area business publication in the New York City area because of the high start-up costs.

Frost (1983) reported the Cordovan chain was losing money even though some of the tabloids individually were profitable.

VIII. OUTLOOK

The trend of area business publications appeared to be continuing. They were expected to grow stronger editorially and develop a clearer sense of identity and purpose. (Hogan, p. 37)

Rick Edmonds, editor of Florida Trend, said there were many improvements in area business publications to be made as compared to the national business publications:

> All of us could borrow some tricks from Fortune, Forbes, Business Week and The Wall Street Journal, particularly in confidence and sophistication with which they approach business stories. But the truth is that the model regional business magazine is still waiting to be invented. (Hogan, 1982, p. 37)

Bob Gray predicted for the future of the area business publications the potential as a major national business news gathering organization. He could also see applications for the AABP publications in cable television and radio. Gray said a large data base that home computer users would be able to plug into for research on companies, people and business situations could be a broader application of the publications. (Scripps-Howard News, 1981)

In summary, the literature provided a historical perspective of area business publications. What began as a few magazines and tabloids filling a business information need in the 1950s became a national publishing trend by the late 1970s. In the 1980s area business publications worked toward quality and credibility through higher editorial standards and acceptance from national advertisers. This study will provide background on two magazines that developed from the area business publications trend.

CHAPTER III

ADVANTAGE COMPANIES, INC.

I. COMPANY HISTORY

Advantage Companies of Nashville was incorporated in Tennessee in 1972 as Associated Motor Inns Corp. Following a merger in 1972 Associated changed its name to Highland Inns Corp. Highland's primary business was food and lodging. In 1980, the company entered the publishing business when it purchased _Advantage_ magazine, Nashville's local business magazine. Subsequently, in 1980, the company charter was amended, changing the name to Advantage Companies, Inc.

Advantage Co.'s stock traded over-the-counter under the symbol "ADCO." The stock had neither traded over $1, nor paid a dividend since the company's name change. As of Dec. 31, 1983, Advantage Co. had 1,376 shareholders.

According to Advantage Co.'s 1982 annual report, its businesses were food and lodging and publishing. In 1982, its food and lodging division owned eight Omelet Shoppe restaurants in Tennessee, the Barn Dinner Theatre in Nashville and a management contract with the Sheraton Campus Inn, in Knoxville.

Advantage's publishing division owned four monthly publications: _Nashville!_, a city magazine, _Knoxville Lifestyle_, a city magazine, _Advantage_, a local business magazine, and _Contemporary Administrator_, a controlled circulation trade journal for the nursing home industry. In 1982, the company launched Tennessee Business, a bi-monthly statewide business magazine. It also published annual business and city directories: The Nashville Visitor's Guide, The Nashville Business Directory, The Nashville City Directory, Premier Magazine and The Knoxville City Guide.

II. FINANCIAL AND MANAGERIAL PROBLEMS

In 1982, Advantage Co. began selling off its food and lodging division because of working capital shortages. Management decided publishing would become Advantage's only business because it was bringing in an increasing proportion of yearly revenue. Subsequently, in the 1982 annual report, Advantage's management projected 50 to 60 percent of 1983's revenue would come from publishing.

Advantage's management worked toward this revenue projection in 1982 by selling the Gaslight Dinner Theatre in Memphis and the Olde West Dinner Theatre in Kingsport. Management also sold Advantage's interest in the Chattanooga Quality Inn after the building burned.

Also in 1982, Advantage's management established a refinancing plan for additional working capital to be completed in January 1983. Management, using mortgage notes receivable as collateral, got a loan from Household Finance Corp., in Chicago. They also got a letter of credit securing a loan from a local bank. This plan injected $750,000 of new capital into Advantage Co. by

January 1983. Additionally, management got a $200,000, one year line of credit for 1983.

In December 1982, the company made an additional search for cash by selling 554,475 shares of common stock. This stock sale brought in gross proceeds of $111,000.

But this strategy was unsuccessful in increasing working capital. According to White (June 1983), Advantage Co. garnered $1.2 million in revenues in the first quarter of 1983 and registered a $305,000 loss for the same period. The loss was offset by one-time credits of $26,000, giving a net loss of $279,000.

In June 1983, in the midst of the financial crisis, Troy Waugh, chief executive officer and chairman of the board, resigned from Advantage Co. At the same time two board of directors resigned. Waugh said he helped the company successfully launch magazines and streamline its businesses:

> I have given my best to make it a success. I have had a really great opportunity to put together some magazines that I think serve the community in a distinguished way. I have brought the company through a change in its core business from food and lodging to a publishing business. I think the next plateau for the company is to succeed financially. (White, June 1983, p. 6A)

Waugh was temporarily replaced by Stiles A. Kellett, Jr., a member of Advantage's board of directors. Kellett, of Atlanta, bought into Advantage Co. in June 1981. He swapped his stock in Restaurant Resources, the Omelet Shoppes, for a majority interest in the company. Kellett's previous business experience was real estate and long-term health care management. He and his brother, Samuel, were partners in 10 nursing homes and retirement centers.

Kellett continued liquidation of the food and lodging division from Atlanta. He left the running of Advantage's day-to-day operations to the Nashville staff. By July 1983, four of the Omelet Shoppes had been sold and management was negotiating to sell the other four. Management had also dropped its contract with the Sheraton Campus Inn and put the Barn Dinner Theatre up for sale. Additionally, they sold Knoxville Lifestyle to Doug Henneman, its editor, because of low profits.

White (July, 1983) reported Kellett expected the Advantage Co. to lose another $200,000 to $300,000 during the second quarter of 1983. Kellett said the company was in a tight cash position. "We're delinquent on a number of accounts. If our plan works as projected, we should be in good shape within six months," said Kellett. (White, July 1983, p. 8A) Kellett explained the company was attempting to raise cash quickly and in doing that would have to write off heavy losses in the next two quarters. But, despite rumors of unprofitability, Tennessee Business would continue to be published. (White, July 1983)

According to Battle (1984), Advantage Co. continued to lose money throughout 1983. Advantage Co. had an operating loss for 1983 of approximately $2,810,000. (See Appendix B) Kellett attributed $1,212,000 of the 1983 loss to the discontinued food and lodging division. Another $705,000 of the loss was attributed to unusual, nonrecurring items. (Battle, 1984)

In March 1984 Kellett announced a new business plan for the company. New financing was based on the sale of $2 million in common stock through private placement to a group of businessmen. A private stock placement allowed Advantage Co. to sell stock and avoid many administrative and underwriting costs associated with stock issuances. According to Securities and Exchange Commission (SEC) requirements, the security could be sold to no more than 12 investors. Each investor had to not only hold the security for at least two years, but also document to the SEC it was bought for investment purposes.

The new chief executive officer was Jerrell Shelton, local businessman. Shelton was president and chief executive officer of Tridon, Inc. Prior to that position, Shelton was vice president and assistant general manager of Avco Aerostructures.

The private placement investors included Kellett, his brother, Shelton and seven Nashvillians: Joe M. Rodgers, private investor and manager of JMR Investments, Sam W. Bartholomew, Jr., partner in the Nashville law firm Donelson, Stokes & Bartholomew, Perry W. Moskovitz, agent with Alexander & Alexander, a financial planning services company, Rudy Ruark, financial planning adviser with Harpeth Co. Realtors, Bill F. Cook, assistant to the commissioner of labor services, Harold J. DeBlanc, Jr., medical doctor and partner in Medical Imaging Associates, an employment agency, and Dortch Oldham, private investor. (Battle, 1984).

In Advantage's 10-K version of its 1983 annual report, the version prepared for the SEC, management made full disclosure of that year's problems. In the report, management declared publishing as its only business. Management reported direct operating costs of $3,153,000 in 1983 were 103 percent of publishing revenues on $3,073,000 during the same period, resulting from management problems and poor cost controls.

The 10-K report stated the company was in serious cash overdraft position, was delinquent in most of its bank and vendor accounts and had failed to make deposits on time for the federal employee withholding taxes. According to the report, management's solution to these problems had been the sale of the food and lodging division, the sale of Knoxville Lifestyle magazine, the relocation of the company's offices to less expensive space, the focus on publishing, a plan to reduce overhead expenses and the private placement of stock. Management had also worked out refinancing or extensions with creditors to allow the company to continue operations. Management expected a positive cash flow to begin by the latter part of 1984. (Advantage Co., Inc., 10-K report, 1983)

By March 29, 1984, a permanent management team had been reestablished. The team was Jerrell Shelton, president and chief executive officer, Stiles Kellett, chairman of the board of directors, Bob Sircy, treasurer and director, and Terry Crawford, vice president.

III. FUTURE OF THE COMPANY

Advantage Co.'s immediate task was to reorganize and work toward financial solvency, according to Bob Sircy, company treasurer:

> Our number one objective is to get our house in order. Once we get our internal mechanism functioning then we can start looking for other opportunities. (Sircy, personal communication, 1984)

Sircy said the company's past problems came from a combination of growing quickly, but not managing the expansion:

> I don't think it was one thing. I think it was a lot of complications. The company's objective was to grow, but it wasn't to make money. We were so busy buying (other businesses) that we weren't managing. We were so busy fending off creditors and solving problems that we didn't focus on the operation. (Sircy, personal communication, 1984)

Sircy acknowledged there was unequal knowledge among upper management about the publishing business. Sircy said although Shelton did not have previous experience in publishing, he did have a proven record in business policy and management. Sircy predicted Shelton would handle the management of Advantage Co. and hire others equally experienced in the technical and editorial sides of publishing.

Sircy saw financial success in publishing specialized magazines, such as city magazines and area business magazines. But he thought trade journals, such as Contemporary Administrator, brought the most opportunity. He speculated Advantage Co. may launch two new trade journals in the future, with one targeted to the long-term health care industry. Sircy said the nursing home industry was in a growth stage similar to hospitals a few years ago. This growth meant nursing homes needed information on equipment, services, personnel training and facilities. Furthermore, the nursing homes would probably rely on trade journals as an information source.

The other new magazine possibility was a nationally targeted trade journal for the country music industry. But for the immediate future, management planned to concentrate on its current operations before starting other ventures. "We've had an awful lot of fires to put out. We've got money in the bank. But all we need is about three more magazines and we'd really be in a mend," said Sircy. (Sircy, personal communication, 1984)

Sircy summed up the attitude of the company's employees as enthusiastic about the future because of financial and managerial reorganization. Additionally, management was putting more thought into long-term planning than in the past. Sircy said, "We've got a lot of problems. But we're slowly but surely fixing them." (Sircy, personal communication, 1984)

In summary, the Advantage Co.'s management began in food and lodging management and shifted into specialized magazine publishing. Management's need for cash forced it to sell unprofitable assets and use the profitable assets as collateral. Advantage's management reorganized under the guidance of a new chief executive officer using magazine publishing as its only business and financing from the private placement of stock.

CHAPTER IV

"ADVANTAGE" MAGAZINE

Advantage magazine began publication in Nashville in 1978 by two entrepreneurs. The magazine was purchased in 1980 by Highland Inns Corp., a Nashville-based food and lodging company. Subsequent to the purchase, the company name was changed to Advantage Co. After financial success with *Advantage*, Advantage Co. purchased other publications and made publishing its only business.

Throughout its six years, *Advantage* followed the format of a monthly, Nashville-oriented business magazine. *Advantage*'s editorial staff had two full-time employees, the editor and assistant editor. Jim Sparks, *Advantage*'s editor, was the only original staffer still with the magazine. Sparks joined *Advantage* in 1978 as assistant editor and became editor in 1980. Sparks' previous work experience was in the radio broadcasting industry.

I. CONCEPT

From its first issue *Advantage* used an interview cover concept for the cover story. This story featured a prominent area business person's photograph on the cover and an in-depth interview with him inside the magazine. Sparks always decided who appeared on the cover, as well as conducted the interview. The featured business person was either already recognized in the business community or was an unknown business person Sparks thought should be brought to the attention of the business community.

The person who was to appear on the cover was expected to have had an impact on Nashville business. "They need to be conspicuously successful," said Sparks. "They need to have some kind of message, theme or story to bring out." (Sparks, personal communication, 1984)

Many business people who appeared on the cover were chief executive officers of local companies. But the featured person did not have to be a CEO. For example, John Parish, former commissioner of Tennessee's Department of Economic and Community Development, was on the cover. Sparks said even though Parish owned a business in nearby Tullahoma, he was on the cover as a state government official whose job had impacted businesses in the area. Sparks admitted the choice of who appeared on the cover was subjective. He said, "The criteria is not strict, but subjective." (Sparks, personal communication, 1984) Furthermore, Sparks said area business people gained prestige by appearing on <u>Advantage</u>'s cover:

> It is considered a special status I think to be on the cover. I've heard people say that certain CEOs make that the number one priority as far as their PR department is concerned. We're proud of all that of course. Yes, it is definitely an honor to be on the cover as far as I can tell. (Sparks, personal communication, 1984)

II. PURPOSE/CONTENT

Sparks saw Advantage's role as more fully reporting and analyzing Nashville's business news. According to Sparks, local radio and television stations reported news, including local business news, in headline form with few details. Local newspapers reported current news as it happened each day with short summaries of previous developments in the story. But as with radio and television, the local dailies had little in-depth coverage of local business news. The national business publications, Business Week, Forbes, Fortune, and The Wall Street Journal, gave in-depth analysis on national business news. But only area business magazines, such as Advantage, gave in-depth coverage of area business news.

Advantage's editorial staff filled the need for area business news by approaching stories through after-the-fact analysis. However, the staff's reporting of any particular story lagged three months behind other media. Sparks hoped their after-the-fact reporting reflected broader implications of the story:

> We can try to present that story more fully than anybody else has presented it, go into more ramifications of it for the future, get some different quotes from some different sources, in other words, look at it from a different perspective and end up hopefully with a story even though it was based on a piece of breaking news is totally different from the one-shot newspaper approach. (Sparks, personal communication, 1984)

An example of Sparks' in-depth, after-the-fact reporting was a story on the effect of off-price retail chains on Nashville's retailers. According to Sparks, local newspapers had covered local off-price retailers as far as announcing the opening of additional branches or new chains entering the Nashville area. Sparks noticed the trend toward off-price retailers in Nashville and did a story on the pricing and inventory ramifications of the stores on local retailers and manufacturers.

Another local business subject Sparks covered in after-the-fact analysis was Japanese business coming to the middle Tennessee area. He approached the story through interviewing people who were insrumental in bringing the foreign business to the area. Sparks had writers talk to Governor Lamar Alexander, the local Chamber of Commerce's Economic Development Director and the Commissioner of the Department of Economic and Community Development. Advantage's staff also interviewed the American and Japanese executives managing the companies' local branches.

Other possible stories Advantage's staff might do would be the effect on Nashville's business community of two local companies merging or a local company going from public to private ownership.

Sparks said in all stories, his writers looked for drama, conflict and problem-solving situations because these story elements were exciting to business people.

Advantage's editorial staff got story ideas from a variety of sources. These sources were reading national publications and localizing stories or trends cited in them, reading the local newspapers, reading trade association newsletters, talking to businessmen at cocktail parties and perusing other AABP magazines.

Lindsay Chappell, the assistant editor, wrote all the regular columns in Advantage. The largest regular column was the Business News Review. It had approximately 20 editorial columns including one article of about 1,000 words, four articles of about 400 words each, about 14 or 15 articles of three or four paragraphs each, a listing of promotions and hirings, and a section reporting corporate earnings of local publicly held companies. The corporate earnings report in each issue featured three or four companies detailing their quarterly or annual earnings as compared to the same period the year before. Chappell kept a chart of which companies were discussed in which months so the same companies would not continually be featured. Chappell also compiled area business bankruptcies into a column, making up about one-half page in each issue, and wrote one full length feature article each month.

III. EVOLUTION OF THE MAGAZINE

Upon becoming editor, Sparks broadened Advantage's appeal demographically and geographically. Advantage's original target audience was upper management. Sparks broadened its appeal down through middle management and small business owners. This still fit the cover concept because the purpose remained letting business people know the thinking of upper management. Sparks said middle managers and small business owners learned upper management's business philosophy through the cover interviews:

> If you're an entry level manager, or even a manager at a fairly high level, you can't call up the head of HCA (Hospital Corporation of America) and pick his brain. We're doing that for him. (Sparks, personal communication, 1984)

Sparks broadened _Advantage_'s appeal geographically by keeping the emphasis of the magazine on Nashville, as well as targeting it to the eight county Standard Metropolitan Statistical Area.

The content of _Advantage_ had changed over the years. More practical information fitting the needs of the broader audience had been included. There were more articles included for small business owners on topics that would specifically interest them, such as using computers in the small business. Sparks also added more regular departments, monthly listings of economic indicators and the tracking of local stocks' prices.

Two and one-half years ago _Advantage_ added an opinion page with columns that rotated between the publisher and a guest writer. The purpose was to give the person's opinion on issues affecting business people, such as state business tax reform. The guest writers, area business people, were given guidelines on the purpose of the article. But they were given freedom on what to discuss. Sparks said, "Some of them just do a call to action or bring a situation to the attention of readers." (Sparks, personal communication, 1984)

Advantage over the years had become more like other magazines in increasing the variety of regular columns. In the May 1984 issue, Sparks added a humorous section appearing in the front of each issue to give a lighter, informal beginning. He described the section as:

> a two page spread of lighter, somewhat humorous short little vignettes and little pieces based on current events that helps the reader get into the book without a great deal of effort. (Sparks, personal communication, 1984)

According to Sparks, informal tongue-in-cheek humor was being used more in magazines in general, including some of the AABP magazines. One AABP magazine that had used humor successfully was Business Atlanta. The new section was put before the Business News Review, which dealt with straight business news analysis. This way the new section gave the serious news a lighter introduction.

IV. EDITORIAL PHILOSOPHY

One of Sparks' editorial concerns was editors indulging personal interests in story content. He thought this was tempting to any editor who had freedom to do so because magazine editing was a subjective business. But he said indulging the editorial staffs' tastes could allow the magazine to wander out of its concept and stop serving the needs and interests of its readers. Conversely, the magazine would serve the needs of the editorial staff:

> You can't allow yourself to get out of the mainstream of the concept. I can do a story on football and justify it by saying all our businessmen readers like football, they go to football games and they'll be really interested in this story. They might even read it. You can get away with that a little bit every now and then. But it scares me to death. (Sparks, personal communication, 1984)

Sparks thought shifting the concept caused readers to lose identification with the magazine's purpose. From an editorial standpoint, Sparks said the number one thing that killed magazines was losing sight of the concept. Sparks said once the concept started wandering readers lost sense of the predictability they needed from a magazine:

> I'm a very strict adhearer to the basic concept and I weigh things that I'm not certain are at the heart of the concept a long time before I decide to put them in there. (Sparks, personal communication, 1984)

Sparks said he contemplated each story as to whether or not it fit Advantage's concept before doing it. An example of a story he weighed a long time was on nonprofit hospitals becoming business oriented. Sparks contemplated the story for several months because these hospitals were not truly in the business community. But they were adopting business practices, such as hiring marketing directors, setting up out-patient services aimed at the paying patient and starting wellness centers. Finally, Sparks said he decided these hospitals were moving toward his magazine's concept by becoming business-oriented rather than the magazine stepping out of its concept to do the story:

> They're becoming more business-like, instituting business methods and the other facet of that story was that they're also starting to compete with profit-making hospitals, like HCA. (Sparks, personal communication, 1984)

Sparks thought Advantage had been successful because it had built upon a concept through the cover interview format that readers came to expect. Sparks said, "I don't see us ever changing that (the cover interview format) because that is our image. That's the main component of our image in the minds of the readers." (Personal communication, 1984)

According to Chappell, a writer did not need a business background to write about the field. Chappell's previous experience was in public relations and free-lancing for Advantage. He thought what was more important than knowledge of business principles was a pro-business attitude. He thought this was particularly the case in writing for Advantage since the magazine reported on people and activities. Chappell, who took economics in college, said, "The taste for business is something I've acquired. I haven't been educated in it." (Personal communication, 1984)

Chappell said there were two things that could get in someone's way in writing about business. The first was terminology, which he said was no problem for him and was something that can be learned. "It's something that can be picked up after reading a book on business terminology over a weekend," he said. "If you have an anti-business attitude that would probably affect your interest in writing or what you wrote, and that's no problem for me." (Chappell, personal communication, 1984)

V. EDITORIAL ADVISORY BOARD

Advantage's editorial staff had an Editorial Advisory Board of 14 members from various sectors of the Nashville business community. The board was created by Troy Waugh, former publisher, in 1982. Its purpose was to keep the editorial staff abreast of current events in various business sectors. The Editorial Advisory Board met quarterly and advised the editorial staff of story ideas, gave opinion on the scope or approach that should be taken with upcoming stories and critiqued the past three issues. The Editorial Advisory Board was formed so Advantage's editorial staff would not lose contact with day-to-day happenings in the business world. According to Sparks, the editorial staff was so small that they could not be in the field constantly talking and investigating for stories. "We have to produce, produce magazine everyday," said Sparks. (Personal communication, 1984)

The editorial staff, with the Editorial Board members, had recognized local business achievement through the annual Advantage Business Awards Banquet. The Banquet was in conjunction with Venture-Tek, formerly Career Conventions, Inc. Each May a three day Business Expo was sponsored bringing a series of speakers and exhibits on current business issues to the Nashville area. The event closed with the Awards Dinner. The staff awarded area businesses for service voted upon by the Editorial Advisory Board for outstanding achievement. The awards were given in various categories: New Enterprise of the Year, Entrepreneur of the Year, Company of the Year (less than 50 employees), Company of the Year (50 to 249 employees), Company of the Year (250 or more employees), Small-Businessperson of the Year and Chief Executive Officer of the Year.

In the future, Sparks expected to select any new board members, although there was no specified term of service.

VI. FREE-LANCE WRITERS

Approximately 30 percent of the writing for each issue of Advantage was done by the editorial staff. The rest was written by free-lance writers. The writers, paid $150 to $300, generally came to the magazine expressing an interest in free-lancing. Sparks handled the final selection of the free-lance writers based on their previous writing experience and their ability to communicate. The free-lancers were not required to have previous business reporting experience, but any kind of journalistic writing experience was an asset.

According to Chappell, Sparks had used some local daily newspaper reporters as free-lance writers. However, Chappell said Sparks had not necessarily received his best free-lance writing from the newspaper reporters. Although some of the reporters did good work, other reporters' writing required much editing. He said the staff had no complaints with newspaper reporters writing for the magazine. But the staff had received reports of newspaper editors complaining:

> We have no problem with that if they can respect our right to have first crack at what they're writing. I think the Banner and Tennessean have more of a problem with that than we do because I guess they work their reporters pretty hard and I believe we have been told in the past that the editor of one of the papers didn't want their reporters doing more of the free-lance type of work. I think we have run a couple under pseudonyms since then. But I'm not sure if we get any of their writers anymore. (Chappell, personal communication, 1984)

Sparks told the free-lance writers what he was looking for in a story and an idea of the scope or approach he wanted in the story. If the free-lancer hit a dead end he was supposed to come back to Sparks and discuss alternatives.

VII. READERSHIP

Readership survey reports showed that in contrast to other AABP magazines, Advantage did not have as many high income, upper management subscribers. According to a Don Bowdren Associates survey (1984) of Advantage's subscribers, the subscribing households had an average income of $65,553, with a median income of $51,620. Twenty-nine percent of the subscribers were either CEOs or owners of small or medium-sized businesses. In contrast, the study of 12 AABP magazines showed readers had average incomes over $100,000 and median incomes over $55,000.

Sparks said that when Advantage began it may have had that type of readership. But he had attempted to broaden the appeal, as reflected in the Bowdren study. He said if Advantage had only a high income, upper management readership it would not be serving the lower level business managers who really needed the information. Furthermore, he thought other AABP publications should not have such a limited readership.

VIII. CIRCULATION

Even though Advantage had been published for six years, its circulation was largely based on non-paid, controlled circulation. According to the *Standard Rate and Data Service* (SRDS), February 24, 1984, *Advantage*'s total circulation was 13,842. Of the total circulation, the paid circulation was 5,451 and non-paid was 8,391. Sparks said although the magazine had a lower paid circulation than controlled circulation, the circulation actually increased with the pass-along factor. According to a readership survey conducted by Shockley Research, Inc., of Nashville (1980), *Advantage* had 4.81 readers per copy. Sparks was confident this pass-along factor had held steady or even increased since the 1980 survey. He said most of *Advantage*'s subscriptions were from businesses. Therefore it would be common sense economically for a business to have one subscription to *Advantage* and pass each issue around the office.

IX. ADVERTISING

Most of *Advantage*'s advertising revenue came from local advertisers, according to Dan Surface, *Advantage*'s advertising director. Less than 20 percent of the revenue came from national advertisers. Surface said most of the advertising was business-to-business--in other words, businessmen reaching other businessmen through advertisements. Most of the local advertisers were from a narrow range of industries: computer companies (retail and business-to-business), commercial construction developers/owners, restaurants, hotels, financial institutions (banks, insurance companies, financial consultants), real estate companies (ranging from developer of the property down to the leasing agent) and car dealerships, particularly the leasing departments.

Surface, who had been with Advantage since 1982, was looking for ways to increase Advantage's amount of national advertising. One way would be through the AABP acting as the national sales arm. Surface said this would be advantageous to all the AABP magazines because they have similar advertising space size and prices.

But he acknowledged that the difference in format and frequencies among the AABP publications did prevent the uniform look the publications needed to increase national advertising. He thought a bigger problem was that advertisers did not understand what area business publications could do for them:

> I think the biggest single problem is that it's a new idea. Frankly, I just don't think national agencies know very much about us. It will take more education on the national level with national agencies and big companies to make them aware and understood. (Surface, personal communication, 1984)

Surface had followed the trend of other AABP publications in contracting an out-of-town media representative to represent Advantage nationally. But the representative had not been effective, since Surface received a negligible amount of advertising from him. He concluded that generally out-of-town media representatives were not effective because the representative was trying to sell several publications at the same time. Consequently, when the representative had magazines from the top 25 to 30 largest markets these were the ones that usually sold first. Advantage was not in that size market.

Surface predicted that publishing companies would begin employing sales representatives to exclusively represent their publications on a national level. Surface said some magazines already had national sales managers. He thought Advantage Co. was in a good position to do this because it published a variety of magazines. Most publishing companies do not have this variety. He said all of Advantage's publications were targeted, but targeted to different markets. This diversification in readership and appeal would be a national sales representative's selling point in working nationally for the company.

Surface did not think he competed with other area media representatives for sales because of his specialized offering of local business news. Instead, his competition came from having to convince the business community what the magazine could do for them by placing an advertisement in it. He said the local advertisers had to be educated about the product just as the national advertisers.

Surface admitted there was some duplication of advertising sales between Advantage and Tennessee Business in the Nashville area. The competition was handled by offering a combination advertising rate. The overlap was limited because Tennessee Business did not have the credibility of Advantage since it was much newer.

According to Surface, Advantage had editorial quality that carried over to the advertising sales. But he thought that was the case in any print medium. The quality of the editorial was the determinant of how the publication and the advertising in it were perceived.

He said Advantage's positive image in the business community had made it easier for his sales representatives to get appointments with potential advertisers. The proof of this was the feedback Advantage's sales representatives got ranging from compliments on articles to disagreements with the content. Nevertheless, it showed people were familiar with and reading the magazine:

> Advantage for the most part has credibility . . . that makes it much easier for us to get an appointment because they have a positive impression of our magazine. (Surface, personal communication, 1984)

Surface said there was direct cause and effect between editorial and advertising. He said this naturally happened since the magazine reported on business, new products and trends in business. The advertisements would represent those same interests.

He cited Advantage's special section on the local commercial real estate industries and how advertising revolved around the editorial:

> Commercial real estate in this city is booming. In April (1984), we did a section, which was the largest single special section we'd ever done, which included a commercial office space directory. The editorial provided the directory and we sold advertising around that. So there's a definite connection between the two. (Surface, personal communication, 1984)

Advantage's staff included a special section each issue. Surface said there was a mutual consideration between advertising and editorial on the section's subject matter and use of the section for advertising boosts. "There is always an editorial consideration there," said Surface. "Jim Sparks and I plan the editorial promotional section, as we call them, per month." (Personal communication, 1984)

Surface had never written or printed "advertorials" in Advantage. But there was discussion among the staff about some for the future. However, not any of these sections would have editorial by Advantage's staff. All of the editorial would come from outside sources and would be clearly marked as an "advertorial."

X. OUTLOOK

Surface had no long-term goals for advertising because of the company's management reorganization. In April 1984 the average number of advertising pages per issue ranged from 50 to 60 pages. Approximately 45 percent, 50 pages, was editorial and 55 percent, 60 pages, was advertising. The average issue had approximately 110 pages. For the next year Surface wanted a 150 page magazine with 85 pages advertising and 65 pages editorial. He had a sales goal of $1,500,000 for the next year as compared to $900,000 in 1983.

The editorial staff had no formalized long-term goals because of management reorganization. Sparks speculated on the future of the magazine continuing with the same format, particularly the cover interview and serving the same target audience. He envisioned the magazine evolving with the trends of the business community. For example, Sparks said Advantage had an article every month on computers, which it did not have two years ago. This regular feature was brought about from anticipating the demand from the audience. He said the editorial staff will continue watching for changes in the economy, business styles and technology to reflect those changes in Advantage:

> It's a matter of evolution. We certainly don't plan any abrupt changes in the magazine because that is not a good idea in publishing. You want to keep that consistency you've established and to have a magazine that is going to be recognizable and predictable month by month. (Sparks, personal communication, 1984)

Sparks said despite speculation that the print medium will be replaced by the electronic medium, he did not see this occurring. He predicted magazines would continue to be primarily a print medium with the electronic medium used to present statistics and other quantitative information. He said people enjoyed the tangible characteristics of print:

> I think that could happen in the area of raw data and situations where you're presenting statistics, charts, graphs, lists, in other words, service-type journalism. Video can play a big role and could conceivably take over the role of printed magazines in that regard. But I don't think that video will ever be able to replace the real backbone of magazines, the feature material, the art, the graphics, the personality, the thing that makes you have a personal attachment to that magazine. It's the most personal of all media. You can put it down and pick it up later. You can look at it at your leisure. (Sparks, personal communication, 1984)

Sparks said cable television might be used in conjunction with each issue of Advantage. For example, the editors of Phoenix magazine, a city magazine, combined part of their regular magazine features with a television program. The editors did a 30 minute program on a local cable station on which they interviewed people who had contributed to articles in the current issue. The interviews were an extension rather than a repetition of information reported in the current issue. "We'll look at things like that as we move forward," said Sparks. (Personal communication, 1984)

Chappell would like to see Advantage grow profitable enough to employ a full staff of writers, editorial assistants and photographers. Although he was satisfied with Advantage's present course editorially, Chappell said with a full staff Advantage could broaden the type of material covered:

> In 10 years, I'd love to see us look like Inc. magazine or Fortune. I don't know how realistic that is considering Fortune's market versus our market. (Chappell, personal communication, 1984)

Chappell thought a larger staff could serve the readership better by bringing more information to them to make money and become better informed business people.

In summary, Advantage's editorial staff held the magazine to a steady concept throughout six years. Jim Sparks, the only original staffer, held the magazine to the concept of bringing local business news about local business people and companies to the Nashville business community. The staff had been unable to make long-term plans because of the financial and organizational problems of Advantage Co.

CHAPTER V

"TENNESSEE BUSINESS" MAGAZINE

Tennessee Business was a bi-monthly statewide business magazine started by Advantage Co. in 1982. It began as a monthly magazine. In February 1983 the frequency switched to bi-monthly to increase advertising sales. The magazine returned to a monthly frequency in September 1984.

I. PURPOSE

Advantage Co.'s management created Tennessee Business to report on and analyze the state's business news and personalities. Its secondary purpose was to report and analyze Tennessee's new laws and politics as they affected business.

Each editor varied the editorial purpose and content of the magazine. From the first issue in October 1982 to the September 1983 issue Tennessee Business had three different editors.

The first editor was Ken Powers, former editor of the Tennessee Legislative Digest. The Tennessee Legislative Digest was a yearly summary of the voting records and transcripts of legislative sessions. Advantage Co. bought the Tennessee Legislative Digest, discontinued its operation and made Powers editor of Tennessee Business.

While Powers was editor, Tennessee Business' purpose focused on state political news and information as it affected business. Powers' articles dealt with such subjects as the process by which a bill goes through the state House and Senate and how to contact legislators.

Powers resigned in February 1983 because of a difference in editorial philosophies with management. He was replaced by Janet Breazeale, the assistant editor. Breazeale joined the staff in August 1982 as an editorial assistant. She had been a newspaper reporter and had a B.S. degree in communications from The University of Tennessee, Knoxville.

Breazeale said she attempted to make Tennessee Business a state version of a Fortune or Forbes by taking story ideas from national business publications and localizing the issues. Breazeale balanced each issue with three kinds of articles: an industry story, such as the current condition of banking in the state, a business issue, such as Japanese business coming to Tennessee, and a personality feature on a prominent state or political figure.

Breazeale resigned in August 1983, because of a difference in editorial philosophies with management and the company's financial problems. She was replaced by Patti Smisson, former editor of Furniture Production, a trade magazine for furniture manufacturers.

Smisson attempted to make Tennessee Business as a trade magazine covering general business news, such as growing uses of computers and human resource management.

II. CONCEPT

Advantage Co.'s management conceived Tennessee Business as a companion magazine to Advantage, according to Breazeale and

Smisson. Tennessee Business was designed to be the statewide version of Nashville's local business magazine reporting on Tennessee's companies and their management. Business in the three geographical areas of the state were tied together in the magazine through state politics and legislation as they affected business. Breazeale thought this was management's intended concept for Tennessee Business but it was never carried out. "They didn't want it to compete with Advantage," she said. "Yet they could only see that Advantage was successful so why can't it be just like Advantage." (Breazeale, personal communication, 1984)

III. CONTENT

On becoming editor Smisson used editorial content that appealed to a broader range of business readers. She said this was different to previous editors' contents that were partly geared to the general audience through stories on historic restoration and business and the arts.

Smisson balanced the content between articles from different parts of the state and between political, strictly business, legislative and legal issues. She also used themes in each type of article. In personality features she strived to bring out not only the history of a person's business success, but also the business strategy the success resulted from. As an article theme in company profiles, Smisson always featured companies that were doing business at least regionally, if not nationally.

Smisson did not have any quotas she filled for a number of articles from each part of the state. She included one business personality per issue. If the featured person was in East Tennessee, and she was also doing a story on a company's operations, she would feature a company in Memphis or Nashville.

For example, in the July/August 1984 issue Smisson had a story on transportation and distribution. The story emphasized Memphis because it was the sixth largest transportation/distribution center in the country, according to Smisson. In the same issue Smisson had an article on business franchising that emphasized Nashville and Memphis and an update on doing business in Knoxville.

The regular columns in Tennessee Business covered politics, legislation, law and computers. A practitioner from each one of the fields wrote the columns: a computer systems analyst wrote the computer column, a lawyer wrote the law column, and the legislative correspondent for The Knoxville Journal wrote the legislation column. Each columnist wrote about current issues in the field as related to Tennessee business.

Writing for the politics column rotated among four political figures, none who currently served terms as legislators or state officials. Two were lawyers, one in Kingsport and one in Memphis. In this column Smisson attempted to get perspectives from different parts of the state as well as perspectives of Republicans and Democrats.

One of Smisson's regular departments in Tennessee Business was Corporate Classroom, a list of management seminars and continuing education opportunities in Tennessee. Once a quarter Corporate Classroom included a summary of business statistics from The University of Tennessee's Department of Economic Research. Corporate Classroom also had an occasional book review of a new management book.

The other regular department was the State News Digest. This department had a list of Tennessee business people who had received promotions, area companies that opened new plants or area companies that reported high earnings. For this section Smisson got most of the information from press releases. She said she used only the press releases that had information of interest to the target audience of business readers:

> State News Digest is one of the most popular things in the magazine because the newspapers do not publish large volumes of this type of business news. Most of them have a business page but they just don't deal strictly with business news. (Smisson, personal communication, 1984)

Smisson wrote three of the first four cover stories for Tennessee Business after becoming editor: the January/February 1984 cover story was a profile of the top 10 manufacturing firms in Tennessee, based on earnings, the March/April 1984 issue cover was an interview with Governor Lamar Alexander concerning the Tennessee economy in 1984, and the May/June 1984 cover story was the marketing strategy of J. C. Bradford & Co., a Nashville-based regional brokerage firm. She said she did not consider the cover story as exclusively hers.

Smisson got story ideas from reading the local newspapers, talking to business people, talking to co-workers, reading national business publications, reading consumer publications and doing graduate course work.

IV. CONTENT COMPETITION

According to Smisson, there was not competition between Advantage and Tennessee Business for stories despite Tennessee Business' geographical target included Advantage's Nashville market. She said the only competition came from using some of the same free-lancers.

Smisson explained there was no overlap because even though both publications were area business magazines, each magazine reported different kinds of business news. Consequently, the magazines had different approaches. Smisson said Advantage reported local business news that was already common knowledge to its readers:

> Advantage can afford to be a little more folksy and neighborly because a good bit of the information they write about is fairly general knowledge in this area (Nashville). They can refer to a common bond of information that we do not share, that doesn't transfer across the state. (Smisson, personal communication, 1984)

Smisson said it would be difficult for her to feature many of the same business people on her cover that Advantage used because not many were known statewide. Furthermore, many of these people's businesses did not make up a large industry in Tennessee. For example, in early 1984 an Advantage issue featured the chief executive officer of the Nashville-based Baltz Bros. Packing Co. Smisson said this feature would not fit Tennessee Business' concept because Baltz Bros. was only well known in Middle Tennessee. She could not use it as an industry story because there were not many meat packing companies in Tennessee.

Smisson thought the same thing was true of Advantage's "How To" series of articles. The "How to Work with Your Spouse" article featured Shirley and Martin Zeitlin, a Nashville couple who were partners in a real estate company. Smisson said instead of featuring a local realty couple, she would more likely do a story on the real estate industry in the state.

According to Smisson, Advantage's coverage of localized business issues in a narrowly defined market and concept in a metropolitan area had helped make it successful. But the editorial focus of Tennessee Business required appeal from a wider variety of interests, tastes and geographical areas.

V. FREE-LANCE WRITERS

Since Smisson was the only full-time editorial staffer for Tennessee Business, she relied upon free-lancers for most of her articles. She used free-lancers from across the state so the articles would be representative of different opinions, perspectives and writing styles. Smisson used business people, newspaper reporters and professional free-lancers for her regular writers.

She had difficulty finding good writers who also had a business perspective. She said when the writer did not have this perspective, it was hard to communicate what she wanted out of the story:

> It requires a lot of communication between me and the writer so that they will understand I don't want to know how beautiful the mountains are in Gatlinburg. I want to know what the net profit of the log home builder is in Gatlinburg and why he's located there and what kind of people he hires and what his projections are for the future. (Smisson, personal communication, 1984)

She said she was having to train writers how to write for the concept of a statewide business magazine because most of them wrote for a general consumer audience:

> There are not a lot of good business writers in this state. Not for newspapers, not for anywhere. It's because the concept of a business magazine for the state has never been done before. (Smisson, personal communication, 1984)

Smisson thought it would be easier for her to find free-lancers that understood her magazine's concept if she had competition from another statewide business magazine. Then she would not have to teach the writers what did or did not fit her concept. She often had to send articles back to the writers three or four times before the story included pertinent information. Or Smisson added information before the article fit the concept.

Despite the communication problems involved in using free-lancers, Smisson said they were cheaper than adding an assistant editor. She did not have enough work to keep an assistant editor busy.

VI. READERSHIP/CIRCULATION

Tennessee Business' target readership was not strictly upper management, upper income business people although the bulk of the magazine's circulation was among this group. Smisson attempted to broaden readership down through middle management and small business owners. Smisson hoped to broaden the magazine's appeal down through most levels of decision-makers. Her philosophy was that the best ideas did not always come from the chairman of the board or the president. She was trying to reach the idea person and decision-maker at whatever administrative level he was on the organization chart.

Smisson admitted some Nashville readers may not clearly distinguish Advantage and Tennessee Business. The distinction was unclear because Tennessee Business was still developing a concept. She said Tennessee Business had published 12 issues, whereas Advantage had published six years of monthly issues:

> It has a cumulative effect. Until we have done something consistent for a whole year, at least, we can't expect that everybody in the state is going to know what we're doing. It just takes a while. (Smisson, personal communication, 1984)

Smisson hoped for total duplication in the readership of Advantage and Tennessee Business. She said the magazines should act as companions by bringing local and state business news to the same reader. The magazines had different perspectives but should interest the same readers.

According to SRDS (February 24, 1984), Tennessee Business had a total circulation of 9,415. The unpaid circulation was 9,022 and the paid circulation was 393. Of the 393 paid circulation there were 50 subscribers and 343 single issue buyers.

VII. ADVERTISING

Dale Myers, the only other full-time staffer of Tennessee Business, had been the advertising director and advertising sales representative since February 1983. Myers said advertising space in Tennessee Business was sold on the premise that advertisers used the magazine to reach businessmen in a certain target group across the state. "Tennessee Business is the only medium he can do this with in one buy," said Myers. (Personal communication, 1984) He described the magazine's readership as an influential, informed core of readers. He sold advertisement space in Tennessee Business based on its readership as well as the paper stock's reproduction qualities.

Myers said there was some competition between Advantage and Tennessee Business for advertisement sales in the Nashville area. But this was limited by Tennessee Business' harder editorial core of reporting on politics and legislation rather than just people and activities.

Furthermore, Smisson thought the competition for advertisers between the magazines was limited because they do not go after the same kind of advertiser. She said a local computer dealer's advertisement would fit into Advantage much better because it appealed only to a local audience, whereas banks or insurance companies would be much more likely to advertise in Tennessee Business because they do business across the state. In getting advertisers for Tennessee Business, it was the geographic consideration as well as the product or service advertised.

Advantage's and Tennessee Business' advertising directors offered combination discounts to advertisers who benefited from exposure in both magazines. For example, Ashley Arabians, a Tennessee horse syndicate, advertised in both magazines. Ashley took advantage of the discount because both magazines' readerships had the potential money and interest in this type of investment.

Smisson said Tennessee Business had done "advertorials" only when the advertiser paid for it. She considered "advertorials" acceptable if the advertiser suggested the article and the Tennessee Business staff wrote the editorial. Smisson thought this was an acceptable part of the public relations function of the magazine. She added, the "advertorial" would always be labelled an advertisement.

Tennessee Business' staff included a special section in every issue. The sections were in the form of city updates or industry updates. She said the sections did have advertisements in them related to the editorial.

According to Janet Breazeale, Tennessee Business' publisher used special sections in every issue for the advertising revenue rather than the editorial value. She said that while editor she attempted to maintain an "editorial well" in which she wrote sections free of advertising. But she said she was encouraged by her publisher to allow advertising into the sections for revenue.

The ratio of advertising to editorial content in Tennessee Business in April 1984 was 30 to 70 percent, respectively. The goal by the January 1985 issue was 45 percent editorial to 55 percent advertising. The May/June 1984 issue was 56 pages. The target size by January 1985 was 64 pages.

VIII. OUTLOOK

Smisson predicted that Tennessee Business would continue serving the needs and interests of business readers. She wanted to sponsor a program of business seminars and bring speakers in from national and state-based companies.

Smisson envisioned this becoming a reality through using Tennessee Business as the publicity tool.

She said, "Our major goal is to be a million dollar publication." (Smisson, personal communication, 1984) Smisson cautioned that this growth expectation would be slowed if the business growth of the state slowed. Her plan was for Tennessee Business to grow with the state's economic growth.

Smisson said she realized it would take time for the magazine to reach the size of Advantage. She said it would take time not only to establish the magazine, but also to establish the concept of a statewide business magazine. "There are plenty of people who still don't quite understand what it is we're doing," she said. (Smisson, personal communication, 1984)

Former editor Janet Breazeale said she believed Tennessee Business was underfunded from the beginning. She said she thought the publishers of the magazine during her tenure did not fully understand the editorial side of the business, especially the matter of meeting deadlines. She said she thought the appearance of the magazine was governed more by the perceived needs of the advertising department than the needs of the editorial staff.

Smisson confirmed the magazine was still having problems meeting newsstand deadlines. She said this happened because the magazine had somehow been considered less important than the older, more established magazines. The older magazines were given priority in the production department. It was the delay in Tennessee Business' production that forced it to miss newsstand deadlines. Smisson said sometimes she had to convince her company what she was doing was important just as she had to convince the public. She said Tennessee Business had a stepchild image at Advantage Co.

According to Smisson, her magazine had this stepchild image because it was new and had not had time to make money and build credibility with neither the public nor the management. Smisson said, "When the money ran out, it generally ran out about the time we needed it." (Smisson, personal communication, 1984)

Smisson said Jerry Shelton, the new chief executive officer, was helping Tennessee Business lose the stepchild image by putting more emphasis on timely production. He also appointed Jim Sparks as its editor in chief. (See Appendix C) Sparks was to give more direction to Tennessee Business' editorial side because its editors had not traditionally been as experienced.

Smisson said Sparks had taken the time to help her find the proper approach to articles, tell her where to find information or help her decide whether or not to kill a story.

Smisson also agreed with Breazeale that publishers had not always been mindful of the magazine's editorial side:

> Our publisher was spending all his time on other books and really doing nothing for us. A publisher is supposed to be responsible for advertising and editorial. Whereas here most of the people that might be in publishing positions are just sales managers. They deal with nothing but advertising. (Smisson, personal communication, 1984)

Breazeale said that while editor she had problems in getting the free-lancers paid. She thought this was another example of the publishers not understanding the editorial side. She said she got tired of asking people, particularly her friends, to write for the magazine because she could not get the company to pay them upon acceptance rather than upon publication. She said, "A successful publishing company could do it and make a go but they just didn't have any money up front." (Breazeale, personal communication, 1984)

Sparks confirmed the stepchild image of Tennessee Business at Advantage Co. He said the magazine was not launched well and immediately after it was launched the Advantage Co. had financial problems. He thought the concept of the magazine had been well thought out. But it was launched on limited finances and its initial distribution to only the top Tennessee business executives was not well planned. He said Tennessee Business was launched in a defensive way in that if Advantage Co. did not use its idea someone else would think of it and do it. "Now we're trying to save it and we will," said Sparks. "The attitude about it is totally different now." (Sparks, personal communication, 1984)

Bob Sircy, company treasurer, said Advantage Co.'s management was recommitted to Tennessee Business. Management was preoccupied with the company's financial problems during Tennessee Business' first year. "I think its future was uncertain but if we put the effort behind it, it could be successful," said Sircy. (Sircy, personal communication, 1984)

In summary, Advantage Co.'s management conceived Tennessee Business as a statewide version of a local business magazine. The owner's financial problems during the same year of Tennessee Business' issuance affected the magazine's staff and direction. During its first year, Tennessee Business had three different editors, four different publishers and two different advertising directors. These changeovers in management were reflected in Tennessee Business' changes in purpose, editorial content and circulation.

CHAPTER VI

SUMMARY AND CONCLUSIONS

During the 1970s, the nation's rapidly changing economy became a major news story. This in turn meant business people needed more business news to compete. National business publications provided in-depth reporting and analysis of the national economy and major corporations. The business sections of local daily newspapers provided local business news coverage of stocks and personnel changes of area business people. But there was a lack of in-depth reporting and analysis of area business news. Specialized area business publications, magazines and tabloids, flourished to fill the demand for in-depth area business news. Fourteen business publishers formed a trade association, the Association of Area Business Publications (AABP), in 1978. By 1983 the AABP had 74 members across the United States and Canada.

The area business publications flourished not only by filling a local business information need, but also by filling the advertiser's need for cost efficiency in reaching a highly-defined market. As the price of media dramatically increased during the 1970s, advertisers sought cost-efficient media to reach the specialized group of people most likely to have the interest and income to buy their products. Previously, advertisers bought media aimed at general audiences rather than specialized groups.

The area business publications provided a highly-defined readership: a college graduate, most likely male, who was a middle or upper level manager or owner of his own business with an average household income of $108,550. The type of advertisements typically in the AABP magazines were for luxury cars, liquor, hotels, restaurants, real estate and land development companies.

The creators of Advantage and Tennessee Business magazines sought to take advantage of the area business publications trend. They sought to fill a need for in-depth reporting of local and statewide business news in Tennessee. Advantage, Nashville's monthly local business magazine, began publication in 1978; Tennessee Business, Tennessee's bi-monthly statewide business magazine, began publication in 1982. Both four-color magazines were owned by Advantage Co., Inc., of Nashville.

Advantage Co.'s management reported nearly a $3 million loss during 1983 after selling off its food and lodging division because of working capital shortages. In 1984 the management worked toward reorganization and made magazine publishing its only business.

In conclusion, Advantage magazine had the more stable concept and clearly defined editorial purpose of the two magazines. This was attributable to the magazine's editorial continuity and longevity. Because of the consistent editorial guidance, Advantage used the same cover story concept of a local business personality interview in every issue. The same cover format had allowed readers to develop an identity with the magazine.

The editor was committed to the area business news concept by refraining from quick changes in the content of the regular columns. New columns were not started until the editorial staff was certain the subject was a business trend, rather than merely a fad. For example, the staff did not start a regular column on computers until it was certain computers were a permanent part of doing business in all sizes of companies.

Furthermore, the concept and editorial purpose of Advantage was consistent because the owner did not interfere with the editorial side of the publication. The editor had total control over the editorial decisions, such as choosing story topics, the monthly business person featured, the free-lance writers and selecting new regular columns.

The editor maintained a growing demand for Advantage by broadening its demographic and geographic appeal. The magazine's appeal had been broadened from just upper-level managers in the Nashville-Davidson County area to middle managers and small business owners in Nashville and its surrounding eight county SMSA. The broader demographic and geographic appeal gave the magazine additional potential readers and stories to be covered. Even though the editor broadened the appeal, he maintained the local business news concept for the specialized market of area business people.

Advantage's advertising director had successfully attained local advertiser support for the local business magazine concept. In 1984 approximately 55 percent of Advantage's pages were advertising.

However, he had been unable to obtain national advertiser support. This was a common problem among all AABP magazines because national advertisers lacked knowledge of the local business magazine concept.

The editorial content of Advantage was typically reporting of local business people and local business activities. This "soft" business news was business personality cover features and business activities, such as the alliance between businesses and charities, manufacturing industry updates, and an annual ranking of Nashville's public companies based on net income, total assets, return on assets and return on equity.

Advantage's editorial staff did a negligible amount of after-the-fact "hard" reporting on local business news. But the editor's in-depth approach of local business features provided information previously unavailable in detail in other local media. Whereas Advantage provided interview stories with Nashville area business people every month since 1978, both of Nashville's local dailies only began two to three years later doing one weekly business personality feature.

It was because of the soft business news approach that Advantage's editorial staff did not need business reporting backgrounds. The stories that had a degree of financial or technical information, such as the annual public companies rankings, were written by a free-lancer with a business background.

In contrast to Advantage, Tennessee Business did not have a clear concept or the consistent editorial purpose of Advantage.

This was partly because Tennessee Business was a much younger magazine, having published 12 issues as of April 1984 as compared to Advantage's six years of 72 issues. The Tennessee Business editorial staff had not had time to develop a background from which to evolve.

Furthermore, Tennessee Business had a stepchild image with the owners. The magazine was begun in the same year that Advantage Co. developed financial problems. It was issued as a companion publication to Advantage on a statewide level in the hope that it would make a profit quickly.

But when the magazine did not immediately make money the management put emphasis on its money making publications. As a comparison of the profitability of the two business magazines, in February 1984, Advantage had 5,451 in paid circulation as compared to Tennessee Business' 393 in paid circulation.

In addition, Tennessee Business' stepchild image was carried over to the production department where other magazines were given priority, often forcing Tennessee Business to miss newsstand deadlines and lose credibility with advertisers.

Tennessee Business did not have the consistent guidance of an editor, as did Advantage. Within one year, Tennessee Business had three different editors. Each interpreted the concept of a statewide business magazine differently.

In 1984 Tennessee Business' editor attempted to carry out the original companion concept to Advantage. The editor did this by trying to duplicate the Nashville readership of the two magazines, and adopting Advantage's story approaches.

Tennessee Business' cover story featured a statewide known business or political figure, a company doing business across the state or industry and city updates. But the editorial staff had difficulty finding enough business or political personalities or companies with statewide appeal to profile on the cover.

Management attempted to distinguish Tennessee Business from Advantage by making hard business news reporting of state politics and legislation as it affected business the common thread to pull the three business regions in the state together. However, the state's economy traditionally had three distinct regions and there may not have been enough interest in business news outside each region.

Statewide business magazines have been successful in California, Texas, Florida and Hawaii. But these states' economies have a reputation of strength and growth in several industries, as compared to Tennessee having strength only in manufacturing and agriculture. Perhaps Advantage Co. management started Tennessee Business to discourage competition from another magazine. But it appears not to have clearly demonstrated the idea for a state business magazine in Tennessee.

Furthermore, if the magazine went to broader, lighter topics as Advantage used, it could use free-lancers without concern for whether or not the writers had business perspectives.

Advantage's staffs' inability to make long-term plans was the only reflection of the owner's financial problems on the editorial side. Conversely, Tennessee Business' staff had changed as had the magazine's purpose and concept because of management's financial problems.

Advantage Co. appeared to have reorganized through a short-term strategy in spring, 1984. Management made full disclosure of its past problems and was basing the new strategy on the private placement of stock and hiring a new chief executive officer. Even though management did not have experience in the publishing business, it was willing to let the experienced editorial staff handle the editorial decisions while it handled the financial and other business policy decisions. Management attempted to put stronger editorial experience into Tennessee Business by restructuring and putting an experienced editorial staffer as editor in chief to enrich the magazine's previously weak editorial side.

I. FUTURE RESEARCH

This case study of two area business magazines raised questions for future research.

A content analysis of the news reports of other Nashville media could reveal how much of the news reported is local business news. Categories could be set up to determine how much of the local business news is hard or soft news or how much of it is in-depth, after-the-fact reporting.

Either through personal interviews or mail surveys, a randomized sample of Advantage's and Tennessee Business' subscribers could be asked what new area business news they learned from the magazines. Furthermore, they could be asked if the Tennessee business news they learned from the magazines helped them make business decisions, make money or be better informed about current local business news.

A study could be done using content analysis to compare Advantage and/or Tennessee Business with one or more successful AABP magazines. Success of comparable magazines would be based on the years of publication, awards for editorial excellence, size of area they serve, percentage of local and national advertising revenue and paid circulation.

Finally, a study could be done of other specialized magazine publishing companies to find out how much intervention there is between management and editorial staffers on editorial decisions, their financial success and areas of business interests besides magazine publishing.

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APPENDICES

APPENDIX A

ASSOCIATION OF AREA BUSINESS PUBLICATIONS

Directory of Members
1983

Member Publications	Frequency	Format	Circulation
Advantage Advantage Companies, Inc. Nashville, TN	Monthly	Magazine	17,000
Alaska Business & Industry Alaska Business Magazine, Inc. Anchorage, AK	Monthly	Magazine	8,000
Atlantic Business Canasus Communications, Inc. Halifax, Nova Scotia	Bi-Monthly	Magazine	10,000
Atlanta Business Chronicle Cordovan Business Journals Atlanta, GA	Weekly	Tabloid	8,500
B. C. Business Magazine Pacific Rim Publications Ltd. Vancouver, British Columbia	Monthly	Magazine	24,000
Baton Rouge Business Report Enterprise Newspaper Corp. Baton Rouge, LA	Monthly	Tabloid	13,000
Boston Business Journal P&L Publications, Inc. Boston, MA	Weekly	Tabloid	25,000
Business Atlanta Communication Channels, Inc. Atlanta, GA	Monthly	Magazine	21,000
Business: North Carolina Shaw Communications Charlotte, NC	Monthly	Magazine	24,000
Business Worcester Central Mass Media, Inc. Worcester, MA	Monthly	Tabloid	12,000

Member Publications	Frequency	Format	Circulation
California Business California Business News, Inc. Los Angeles, CA	Monthly	Magazine	70,000
Capital District Business Review New York Business Publications, Inc. Albany, NY	Monthly	Tabloid	12,951
Caribbean Business Manuel Casiano, Inc. Santurce, PR	Weekly	Tabloid	47,500
Central New York Business Review New York Business Publications, Inc. Syracuse, NY	Monthly	Tabloid	8,500
Colorado Business Colorado Magazine, Inc. Denver, CO	Monthly	Magazine	19,600
Connecticut Business Journal Wes/Conn Business Journals Harrison, NY	Weekly	Tabloid	7,880
Corporate Monthly Anthony Publishing Philadelphia, PA	Monthly	Magazine	15,000
Corporate Report/Kansas City Dorn Communications, Inc. Kansas City, MO	Monthly	Magazine	18,000
Corporate Report/Minnesota Dorn Communications, Inc. Minneapolis, MN	Monthly	Magazine	23,000
Crain's Chicago Business Crain Communications, Inc. Chicago, IL	Weekly	Tabloid	45,000
Crain's Cleveland Business Crain Communications, Inc. Cleveland, OH	Weekly	Tabloid	25,000
Crain's Illinois Business Crain Communications, Inc. Chicago, IL	Quarterly	Magazine	30,000

Member Publications	Frequency	Format	Circulation
Dallas/Ft. Worth Business Cordovan Business Journals Dallas, TX	Weekly	Tabloid	9,420
Denver Business World General Communications, Inc. Denver, CO	Weekly	Tabloid	16,000
Florida Trend Florida Trend, Inc. St. Petersburg, FL	Monthly	Magazine	37,000
Focus/Philadelphia Business News, Inc. Philadelphia, PA	Weekly	Magazine	16,198
Hawaii Business Hawaii Business Publishing Corp. Honolulu, HI	Monthly	Magazine	10,317
Houston Business Journal Cordovan Business Journals Houston, TX	Weekly	Tabloid	22,000
In Business Suzanne Beecher, Pub. Madison, WI	Monthly	Magazine	11,200
Independent Professional and Florida Business Journal The Independent Professional, Inc. Gainesville, FL	Bi-Monthly	Tabloid	28,269
Indiana Business Magazine BLM Corp. Indianapolis, IN	11x/yr.	Magazine	15,000
Indianapolis Business Journal Business Press, Inc. Indianapolis, IN	Weekly	Tabloid	13,000
Journal Record Journal Record Pub. Co. Oklahoma City, OK	Daily	Broadsheet	5,500

Member Publications	Frequency	Format	Circulation
Kansas Business News Kansas Business Publishing Co., Inc. Lindsborg, KA	Weekly	Magazine	15,250
Kansas City Business Journal Kansas City Business Journal, Inc. Kansas City, MO	Weekly	Tabloid	14,000
Kentucky Business Ledger Executive Press Louisville, KY	Monthly	Tabloid	13,500
La Crosse Citibusiness Citibusiness, Inc. La Crosse, WI	Monthly	Tabloid	8,000
Long Island/Business Newsweekly Long Island Commercial Review, Inc. Plainview, NY	Weekly	Tabloid	8,000
Los Angeles Business Journal Cordovan Business Journals Los Angeles, CA	Weekly	Tabloid	14,945
Manitoba Business Canasus Communications, Inc. Winnipeg, Manitoba	Bi-Monthly	Magazine	10,000
Maryland Business Journal Maryland Journals, Inc. Baltimore, MD	Bi-Monthly	Magazine	16,500
Miami Business Journal Cordovan Business Journals Miami, FL	Weekly	Tabloid	6,000
Miami Review and Daily Record Miami Review, Inc. Miami, FL	Weekly	Tabloid	13,941
Mid-South Business Mid-South Communications, Inc. Memphis, TN	Weekly	Tabloid	8,000

Member Publications	Frequency	Format	Circulation
Minnesota Business Journal Dorn Communications, Inc. Minneapolis, MN	Monthly	Magazine	22,500
New Business Times of Acadiana Lafayette, LA	Monthly	Tabloid	21,000
New England Business Yankee Publishing, Inc. Boston, MA	Bi-Weekly	Magazine	45,000
New Hampshire Business Review Business Publications of N.H. Concord, NH	Monthly	Tabloid	12,000
New Jersey Success Success Publishing Co., Inc. Hillside, NJ	Monthly	Magazine	43,000
New Mexico Business Journal Southwest Publications, Inc. Albuquerque, NM	Monthly	Magazine	14,000
New Orleans Citibusiness Citibusiness, Inc. Metairie, LA	Bi-Weekly	Tabloid	32,500
Ohio Business Business Journal Publishing Co. Cleveland, OH	Monthly	Magazine	34,942
Oregon Business MIF Publications, Inc. Portland, OR	Monthly	Magazine	21,850
Pacific Business News Crossroads Press, Inc. Honolulu, HI	Weekly	Tabloid	11,650
Philadelphia Business Journal Philadelphia Business Journal, Inc. Philadelphia, PA	Weekly	Tabloid	14,500
Phoenix Business Journal Cordovan Business Journals Phoenix, AZ	Weekly	Tabloid	8,000

Member Publications	Frequency	Format	Circulation
Pittsburgh Business Journal Cordovan Business Journals Pittsburgh, PA	Weekly	Tabloid	13,000
Pittsburgh Business Times Pittsburgh Business Weekly Corp. Pittsburgh, PA	Weekly	Tabloid	12,500
Regardie's Magazine Regardie's Magazine Washington, DC	Bi-Monthly	Magazine	30,000
Rocky Mountain Business Journal Cordovan Business Journals Denver, CO	Weekly	Tabloid	7,000
St. Louis Business Journal Business Journals Publication Corp. St. Louis, MO	Weekly	Tabloid	17,000
San Antonio Executive Lammert Publications San Antonio, TX	Monthly	Tabloid	10,000
San Diego Business Journal Cordovan Business Journals San Diego, CA	Weekly	Tabloid	7,300
San Francisco Business Journal Cordovan Business Journal San Francisco, CA	Weekly	Tabloid	8,500
Saskatchewan Business Canasus Communications, Inc. Regina, Saskatchewan, Canada	Bi-Monthly	Magazine	10,000
Seattle Business Journal Cordovan Business Journals Seattle, WA	Weekly	Tabloid	9,500
Tampa Bay Business Tampa Bay Business Publishing Co. Tampa, FL	Weekly	Tabloid	19,877
Texas Business Magazine E. J. Martin, Pub. Dallas, TX	Monthly	Magazine	47,000

Member Publications	Frequency	Format	Circulation
Vermont Business World Manning Publications, Inc. Bellows, Falls, VT	Monthly	Tabloid	13,000
Washington Business Journal Cordovan Business Journals McLean, VA	Weekly	Tabloid	8,500
Washington Business Review The Business Review, Inc. Vienna, VA	Weekly	Tabloid	14,000
West Texas Business KEY-TEL, Inc. San Angelo, TX	Bi-Monthly	Magazine	6,333
Westchester Business Journal Wes/Conn Business Journal Harrison, NY	Weekly	Tabloid	5,080
Wisconsin Business Journal Dean Communications, Inc. Eden Prairie, MN	Monthly	Magazine	20,000

The Association of Area Business Publications criteria for full membership:

1. The subject matter of the publication is primarily the broad comprehensive business news and analysis of a region or an area. Excluded would be very specialized real estate listings, buyer arrivals, financial listings such as bankruptcies, incorporations and the like. A general readership of the business leadership in an area is the audience we are offering (i.e., owners, partners, officers, trustees, corporate executives including middle management).

2. The publication is published as an enterprise organized for profit. All non-profit publications (i.e., Chamber of Commerce newsletters, house organs for insurance companies) are excluded.

3. A documented audience which is consistent with the audiences of other member publications. This is inherent in criteria No. 1 above but it is stated again to emphasize that our demographics, for advertising purposes, must be relatively similar.

4. Each member must be willing to be audited either by ABC, BPA, or such other audit as the Advertising Sales Committee deems necessary to validate our joint circulation.

5. Frequency, size and format are not criteria for membership.

6. Each member shall pay $250 initiation fee upon submission of applications for membership. Annual dues shall be $250 for publications grossing less than $500,000; for those combined business publications grossing more than $500,000 per year, the dues shall be $500. A single corporation with more than one AABP publication shall pay $100 extra annual dues per publication.

7. Full membership shall be granted by the Board of Directors upon recommendation of the Membership Committee.

The Association of Area Business Publications criteria for associate membership:

Any corporation which supplies services to the AABP membership shall, upon payment of $500 dues, be entitled to become an Associate Member and shall be invited to that part of the AABP meetings as the Board of Directors shall decide.

The Association of area Business Publications general statement of purpose:

> The role of AABP is to foster the growth of these publications and to make them increasingly useful to the business community of the country. It provides a framework through which regional business publications can cooperate, exchange information and work together on common problems, such as postal regulations, government regulations and advertising. Its members benefit from market research, regular meetings, workshops, a national advertising and public relations program, awards for editorial excellence and ongoing exchange of information and ideas.

APPENDIX B

ADVANTAGE COMPANIES, INC.--CONSOLIDATED BALANCE SHEETS

	December 31, 1983 Pro Forma (Note 16) (Unaudited)	1983 Historical	1982
Assets			
CURRENT ASSETS			
Cash	$ 342,000	$ 42,000	$ 174,000
Notes receivable and current maturities of long-term notes			
Related parties			19,000
Other	59,000	59,000	109,000
Total	59,000	59,000	128,000
Accounts receivable, less allowance for doubtful accounts of: 1983-$52,000; 1982-$45,000	537,000	537,000	840,000
Prepaid expenses	101,000	101,000	184,000
Inventories	9,000	9,000	64,000
Total current assets	1,048,000	748,000	1,390,000
PROPERTY AND EQUIPMENT			
Land and improvements			226,000
Buildings			318,000
Leasehold improvements	32,000	32,000	54,000
Furniture and equipment	463,000	463,000	1,309,000
Total	495,000	495,000	1,907,000
Less allowances for depreciation	(159,000)	(159,000)	(541,000)
Property and equipment - net	336,000	336,000	1,366,000
LONG-TERM NOTES RECEIVABLE — Less current maturities			
Related parties	1,078,000	1,078,000	1,259,000
Other, less allowance for doubtful notes of: 1983-$412,000; 1982-$0	1,768,000	1,768,000	2,152,000
Total	2,846,000	2,846,000	3,411,000
COST IN EXCESS OF NET ASSETS OF PURCHASED SUBSIDIARIES	506,000	506,000	1,252,000
OTHER ASSETS AND DEFERRED CHARGES	112,000	112,000	218,000
TOTAL ASSETS	$4,848,000	$4,548,000	$7,637,000
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES			
Current maturities of long-term debt	$ 321,000	$ 321,000	$ 437,000
Accounts payable	389,000	832,000	1,268,000
Accrued and withheld taxes	79,000	242,000	266,000
Accrued salaries and wages	42,000	42,000	126,000
Other accrued liabilities	105,000	152,000	51,000
Current portion-deferred revenue	168,000	168,000	203,000
Allowance for losses related to discontinued operations	152,000	152,000	
Total current liabilities	1,256,000	1,909,000	2,351,000
LONG-TERM DEBT — Less current maturities	2,343,000	2,955,000	3,026,000
NOTES PAYABLE TO RELATED PARTIES		300,000	
DEFERRED REVENUE AND OTHER	50,000	50,000	154,000
SHAREHOLDERS' EQUITY (DEFICIT)			
Common Stock — par value $.10 per share Authorized 25,000,000 shares Issued and outstanding 5,570,842 in 1983 and 5,454,700 in 1982 Pro forma 1983 - 15,120,842	1,512,000	557,000	545,000
Additional paid-in capital	4,885,000	3,975,000	3,949,000
Accumulated deficit	(5,198,000)	(5,198,000)	(2,388,000)
Total shareholders' equity (deficit)	1,199,000	(666,000)	2,106,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,848,000	$4,548,000	$7,637,000

ADVANTAGE COMPANIES, INC.--CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year ended December 31, 1983	1982	1981
REVENUE			
Publishing	$3,073,000	$2,949,000	$1,253,000
Interest	480,000	548,000	536,000
Total revenue	3,553,000	3,497,000	1,789,000
COSTS AND EXPENSES			
Operating expenses	3,153,000	2,511,000	1,179,000
General and administrative expenses	532,000	480,000	392,000
Interest expense	492,000	395,000	251,000
Depreciation and amortization	294,000	201,000	23,000
Loss on sale of Knoxville Lifestyle	202,000		
Writedown of goodwill	503,000		
Total costs and expenses	5,176,000	3,587,000	1,845,000
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	(1,623,000)	(90,000)	(56,000)
PROVISION FOR INCOME TAXES		(6,000)	
LOSS FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY ITEMS	(1,623,000)	(96,000)	(56,000)
DISCONTINUED OPERATIONS			
Income (loss) from operations of discontinued food and lodging division (net of $31,000 tax in 1982, and $1,000 in 1981)	(94,000)	91,000	58,000
Gain (loss) on disposal of food and lodging division (net of $0 tax in 1983 and $3,000 in 1982)	(1,118,000)	11,000	
	(1,212,000)	102,000	58,000
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	(2,835,000)	6,000	2,000
EXTRAORDINARY ITEMS			
Extinguishment of debt, net of $2,000 tax in 1981	25,000		9,000
Utilization of loss carryforward		40,000	3,000
NET INCOME (LOSS)	($2,810,000)	$ 46,000	$ 14,000
PER COMMON SHARE			
Loss from continuing operations before extraordinary items	$ (.29)	$ (.02)	$ (.02)
Discontinued operations	(.22)	.02	.02
Extraordinary items		.01	
Net income (loss)	$ (.51)	$ .01	$ .00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	5,506,261	4,692,521	3,544,999

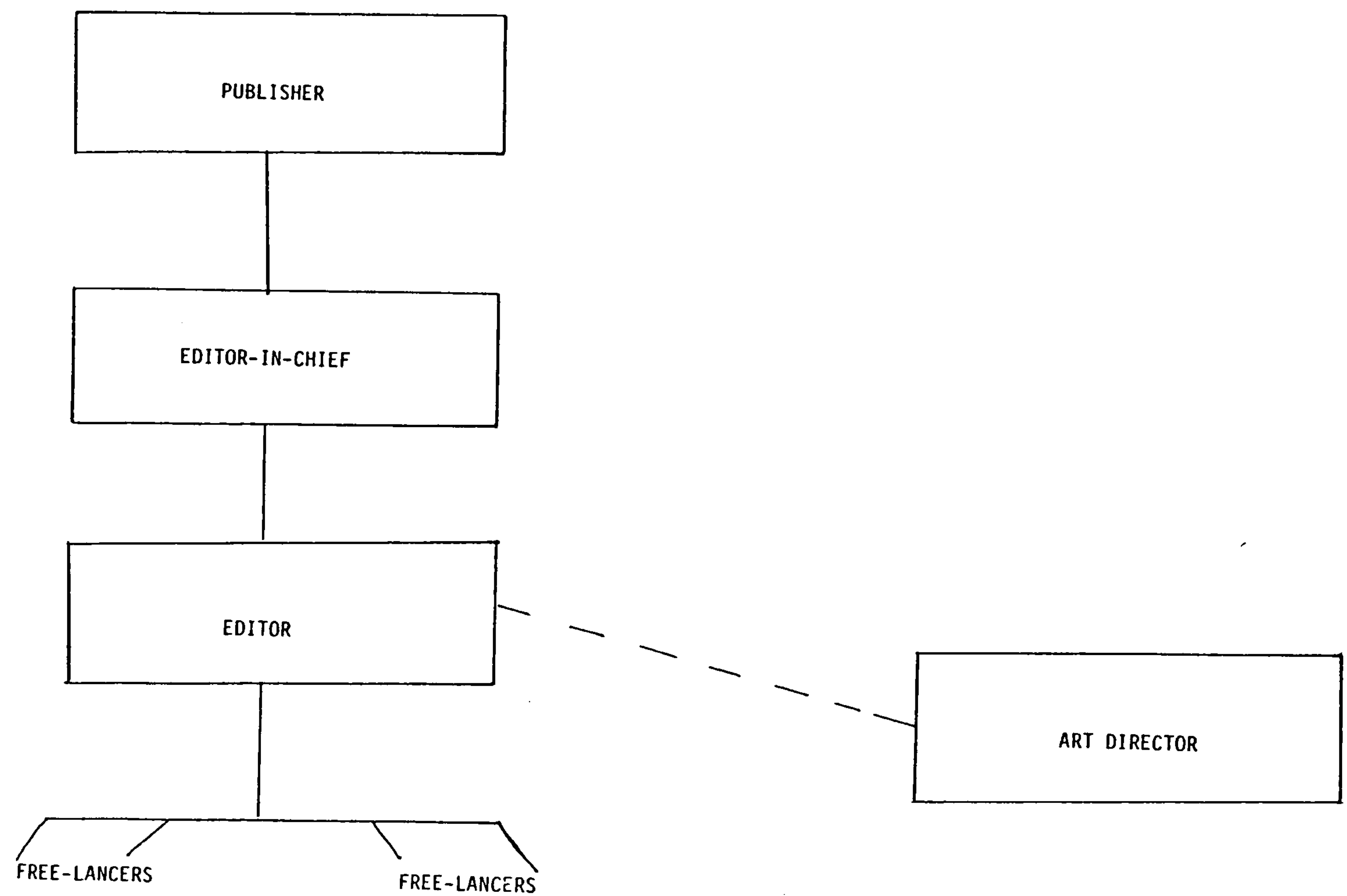
reduction

Source: Advantage Co., Inc., 10-K report, 1983.

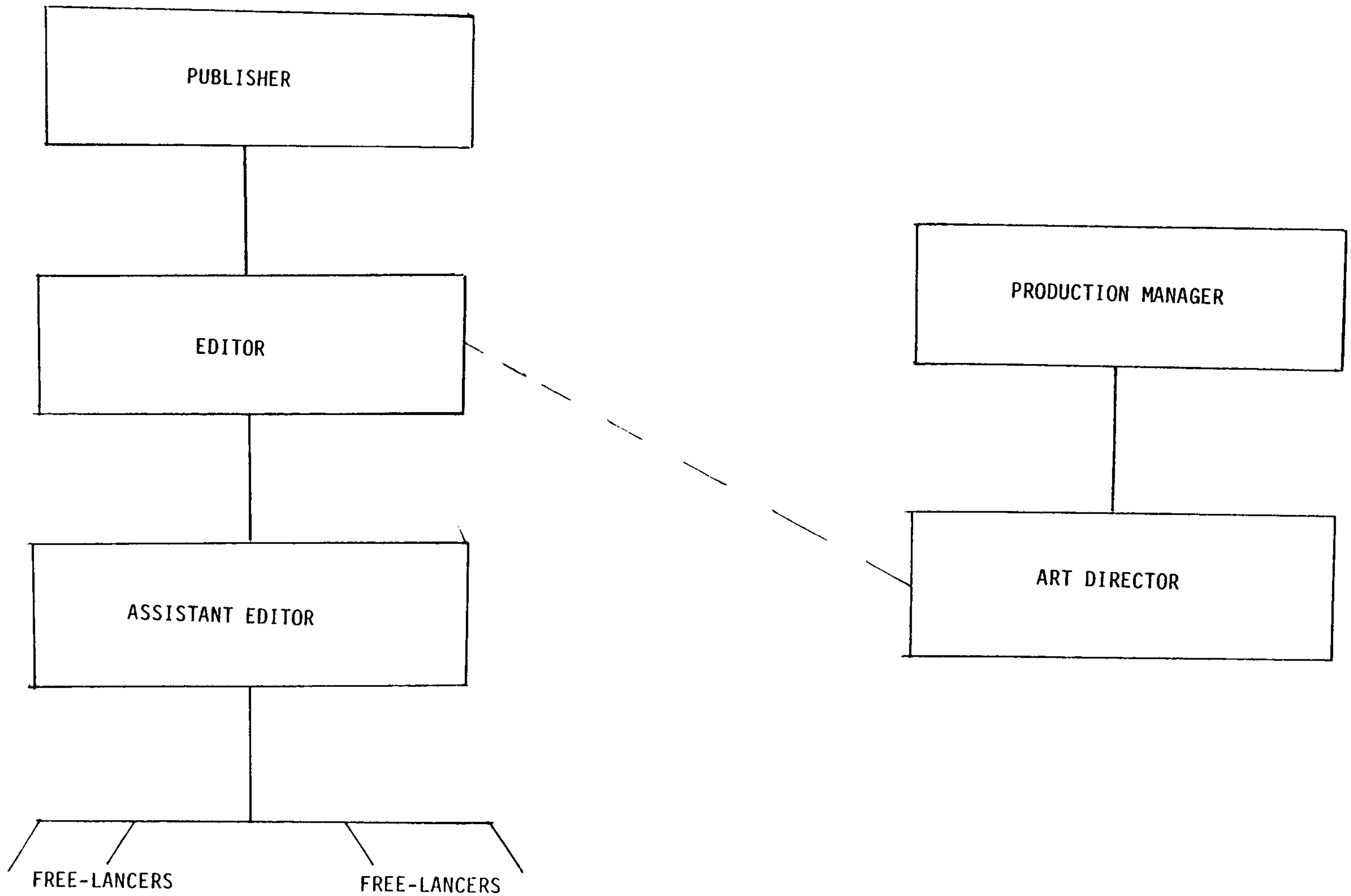
APPENDIX C

EDITORIAL DECISION MAKING CHARTS FOR TENNESSEE BUSINESS AND ADVANTAGE MAGAZINES

For Tennessee Business Magazine



For _Advantage_ Magazine



VITA

Karen Pamela Lawrence was born in Nashville, Tennessee, on December 7, 1958. She attended elementary school in that city and was graduated from the University School of Nashville in May 1976. The following September she entered The University of Tennessee, Knoxville, and in June 1980 received a Bachelor of Science degree in Business Administration.

In the fall of 1980 she began work as a Financial Analyst Trainee at the State Board of Regents of Tennessee, in Nashville, Tennessee.

In September 1981 she re-entered The University of Tennessee, Knoxville, for graduate study. She received a Master of Science degree in Communications in December 1984.