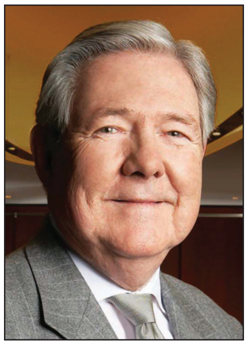
Putting a Stake in the Ground

An Interview with Frank A. Bennack, Jr., Chief Executive Officer, Hearst Corporation



Frank A. Bennack, Jr.

EDITORS' NOTE *Frank Bennack, Jr. is in his second tenure as CEO and, in his first, served as Hearst's CEO for more than 23 years. He is also currently Vice Chairman of the Hearst Board of Directors and Chairman of the Corporation's Executive Committee. In addition, he is a director of Hearst Corporation and a Trustee of the Hearst Family Trust. His first tenure as President and CEO began in 1979. Prior to this, Bennack served as Executive Vice President and Chief Operating Officer of the corporation and, prior to that, as Vice President and General Manager of the Hearst Newspaper Group. He also served in a variety of management posts, including a seven-year tenure as publisher and editor of the* San Antonio Light. *Bennack is a director of Polo Ralph Lauren Corporation and Chairman of The National Magazine Company Limited of Great Britain. He has received honors for his charitable work from such organizations as the American Heart Association and the Inner City Scholarship Fund of New York. In 2007, he was elected into the American Academy of Arts and Sciences.*

COMPANY BRIEF *Hearst Corporation is one of the nation's largest private companies engaged in a broad range of publishing, broadcasting, cable networking, and diversified communications activities. Hearst (www.hearst.com) has launched such magazines as* Country Living, Marie Claire, *and* SmartMoney. *Today, the company comprises some 200 separate businesses with approximately 20,000 employees.*

How challenging is it when you're dealing with such a large company to retain innovation?

It's challenging. However, the strength for us in today's sea change is that we started 25 to 30 years ago changing the mix of businesses at Hearst. Fortunately, by the time the sea change came, only a portion of our asset base was affected.

We're still publishers – we still have a world-class magazine company and a world-class newspaper company that are clearly being affected, as is over-the-air broadcasting to some extent.

But what we've built in the electronic/digital world over that period of time, and in our business-to-business activities, where fees rather than advertising now represent the revenue base, have been relatively unaffected. During the worst trough in 2009, we came through with much less decline in our aggregate business than most of our peers because of our change of asset mix.

You are still invested in print despite the debate over whether or not it will survive. Will there always be a role for print and how has that role changed?

We are of the opinion that there will always be a role for print. We are equally reasonable in our assessment that its relative position against the rest of the media world will decline. Then it becomes about market share and the power of your individual products.

I don't know what the mix will be, but maybe 30 to 40 percent of the business we do on these traditional platforms like our magazine and newspaper businesses will be online, and the remainder will be ink on paper.

But I'm looking at a five-year horizon. Anybody who thinks they can look 10 to 15 years out is kidding himself, though as far as the eye can see, there will be a print component to the kind of businesses we have, but it won't be as large as it was in 2000.

Have you figured out the secret to making money on the digital side?

We hope so. Our digital assets in the aggregate will be profitable in this current year and going forward.

We have made a significant investment there. What saved us is that we had these growth businesses that were relatively unaffected, at least so far, by this sea change so we saw double digit growth in these businesses.

Content is still hugely important, and we own that content in many instances. We're going to find ways to get that into the hands of readers and viewers, and ways to continue to serve our advertising base going forward.

While the growth is slow in the U.S. market, do you still see opportunity or will most growth come from overseas?

There are still significant opportunities in the U.S., even though the current rate of growth is almost imperceptible. Fortunately, we're not going backwards.

The U.S. is going to continue to have a very large market share. Consolidation will continue – we recently consolidated the U.S. holdings of a major French magazine company, Lagardère/Hachette, into ours. We will continue, based on the products we have, to increase market share.

We foresee the Pacific Basin, Russia, and South America as growth areas and we will have a greater presence there.

You personally are very engaged in the community. Was that instilled in you early on?

Somewhat, but the company culture has also encouraged that. Even if you look at it purely in business terms, the health and desirability of the community and marketplace in which you operate is central to the success of your business.

But it's also important to give back and for the 50 years I have been in media, I have felt an obligation to do that and it has improved me in every respect. I feel better about who I am for having done those things and our business has benefitted from it.

If you stay only in the four walls of your business, you're not going to understand what public taste is or the direction in which people's lives are moving.

So when we look to employ people, even though their smarts in business is critical, if they haven't accessed the rest of the world, they're not going to understand the markets as well as those who have spent some time away from just business and in community activities.

The structure of the iconic Hearst Tower in New York City encourages open communication. Is that important to the success of the company today?

It is, and I'm particularly proud of my board and the colleagues I have worked with who had the courage, as the first major commitment after 9/11, to put a stake in the ground.

None of us could have known we were going to run into 9/11, but it made it all the more beneficial to the attitudes of our customers and employees that we were making that commitment to New York and the business. It was our goal to have something that served our employees and the public well.

We didn't know then that we would become New York's first occupied LEED-Gold certified office building. So we're proud of that outcome.

After more than 100 years in New York City, recognition of who we are has been greatly enhanced by this building, which the community loves and praises. It's surprising that, of all we've done in business, this building has become our signature more than anything else. ●