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Cowles' Woes

Big Publishing Empire Runs Into Difficulties With Several Ventures

Look Is Hurt, a New Paper On Long Island Is Folded, Sales Practice Questioned

High Hopes for a New Scheme

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NEW YORK—It was a few years ago, and Dan Mich, long the editor of Look Magazine, had just died. His friend and boss, Gardner (Mike) Cowles, was reminiscing about the close bonds that had existed between the two men.

"Dan and I always got along beautifully," the gravelly voiced founder of Look was overheard to remark. "He understood that you don't have to be right 100% of the time. You don't even have to be right 70% of the time. To be successful, you only need to be right a little more than half the time."

That's apparently one of the business maxims at Cowles Communications Inc., and it seems to have proven sound through much of the company's history. With Look as its cornerstone, it has grown into a huge publishing complex with magazines, newspapers and book companies, along with several broadcasting properties. But some shareholders and critics of the company have been wondering if Mike Cowles and his fellow executives haven't been cutting the percentage a little fine of late. For Cowles Communications is not exactly a picture of corporate health.

Just a Good (Bad) Year

The company posted sizable losses in 1967 and 1968, and its 1969 profit—if indeed there is one—won't overwhelm anyone, analysts predict. In fact, stockholders might have been led to expect more than they'll get. A full-page Cowles ad in the New York Times on Sunday, Dec. 28, was headlined: "1969: just a very good year." The ad was talking about advertising linage in Cowles publications. Actually, 1969 was a very bad year at Cowles in many respects.

The problems started early in the year—and kept right up through the end of the year. In the spring, Rep. Fred Ronney (D., Pa.) launched an investigation into Look's subscription sales practices, which critics contend are less than forthright. In July, continuing financial problems forced the company to cut its quarterly dividend to five cents a share from 12½ cents. In September, a $12.5 million libel suit was filed against the company by San Francisco Mayor Joseph L. Alioto after Look alleged he had Mafia ties.

In October, Cowles announced the closing of the Suffolk Sun, a Long Island newspaper it started three years ago with high hopes, an experienced staff and a substantial advertising

This was probably the cruelest blow of all to Mr. Cowles, for personal as well as business reasons. The man in charge at the Sun had been 33-year old Gardner (Pat) Cowles, who is not only the son of company Chairman Mike Cowles but also the son-in-law of company President Marvin C. Whatmore.

For a while, Cowles Communications executives worried that Family Circle, a Cowles magazine, wouldn't maintain the circulation it had guaranteed its advertisers and might be forced to rebate some ad fees for the third straight year. But it now looks as if circulation came so close to meeting the 7.5 million guarantee that no rebates will be necessary, Cowles officials say. At the end of the year, a group of citizens in Daytona Beach, Fla., filed an application with the Federal Communications Commission seeking the television license that Cowles holds there.

"Basically Healthy"

Cowles officials and some impartial observers say matters really aren't as bad as they seem, however. The Alioto suit and the TV challenge will cost the company nothing more than legal fees, some observers predict. They note it is next to impossible for a public official to prove libel, and they say it would be a rare move indeed for the FCC to take the Cowles TV license away.

A Wall Street analyst who has studied Cowles carefully says that, despite the list of troubles, the company "is basically healthy financially." He adds, "It isn't going to fold up."

No one is suggesting that the company is going to fold up, of course. And many people suggest that the Cowles difficulties are no worse than those of some other companies in the publishing industry. Indeed, Time Inc. has been having its share of troubles, too, and its Life Magazine, the main competitor of Look, is regularly rumored to be at death's door. And the Saturday Evening Post, once the biggest mass magazine of all, is dead.

In any case, a close look at Cowles' problems and its prospects tells much about a troubled company with a large stake in the troubled mass-magazine industry.

In Des Moines in 1903

Few families have played a more conspicuous role in the publishing industry than the Cowleses. In 1903, Gardner Cowles Sr. started the empire by buying the Des Moines Register. He went on to buy up or drive out the competition and then built his morning Register and evening Tribune into two of the most respected papers in the nation. In the past 20 years, only the New York Times has won more Pulitzer Prizes than the Register.

In the 1930s, one of the elder Mr. Cowles' sons, John, went north to Minneapolis and repeated his father's success by buying one paper and then driving out or buying up the competition. Today, the morning Minneapolis Tribune and the evening Star also are considered top-rate newspapers. Neither the Des Moines nor the Minneapolis papers are part of Cowles Communications Inc., although they are controlled by the Cowles families.

Mike Cowles, now 66 years old, began his career as a reporter on the Des Moines papers, where he became entranced with the idea of mixing journalism and photography in a slick magazine. Though he and his father were well aware that Time Inc.'s Henry Luce was also planning a picture magazine, they plunged ahead. The first issue of Look appeared in January 1937, just two months after Life hit the stands.

At first, relations between Life and Look were cordial. Rather than fight each other in the early years, they fought a common foe: The Saturday Evening Post. Also, at first Life and Look were not really aimed at the same audience. Look was designed for less sophisticated people than Life.

Over the years, however, Look and Life have found themselves increasingly caught up in a bruising competition for advertising dollars. The strategy of each has become to outdo the other in circulation; to the winner goes the cream of the advertisers and the highest rates. Look achieved top billing briefly in the mid-1960s—"Look is bigger than Life," crowed Look's advertisements—but then slipped behind when Life purchased part of the circulation list of the Saturday Evening Post. Currently, Look, a biweekly, claims a paid circulation of 7,750,000; Life, a weekly, claims 8,500,000.

The effort to overtake Life took a heavy toll at Look, particularly in terms of the magazine's reputation. During one circulation survey in 1963, for example, Cowles was suspected of flooding the market with free "sample" copies of Look. The charge was never proved and Cowles denies any wrongdoing, but the affair left a sour taste with many advertisers.

During the same period, Cowles was also building up the door-to-door circulation sales franchises that lately have attracted the critical attention of Rep. Rooney and others. Often, it's alleged, individuals are hustled into signing pay-as-you-go contracts that wind up costing them large sums of money over a period of years. If the subscribers try to back out of the deal, they are often threatened with court action or loss of credit, it is charged. Cowles says it has taken steps to correct any wrongdoing here.

Enter Television

While Look and Life have been chipping away at each other, television has been creating problems for both. TV has been garnering a larger and larger share of the advertising dollar designated for the general interest market at the same time that magazines' costs have been escalating almost out of sight. The result has been a severe profit pinch. In recent years, Life is known to have lost money, and though Look still turns a profit, the return is understood to be minimal.

Mike Cowles angrily dismisses the notion that large-circulation magazines such as Look and Life can't compete with television and thus are destined for eventual extinction. The Saturday Evening Post, he maintains, was the exception.

"The Post just didn't keep up with the times," asserts Mr. Cowles. "It didn't modernize editorially, and it was severely handicapped by management problems."

The same problems haven't been unknown at Cowles Communications. To be sure, Look's editorial product has changed greatly over the years. Most of the writing and reporting are done by a seasoned staff of 18 senior editors who are given wide freedom in their choice of topics and style of execution. The result has often been a highly readable magazine that is ahead of its time on many issues—birth control, the rights of minorities, the changing nature of the labor movement.

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