

BUSINESS DAY | THE MEDIA BUSINESS

THE MEDIA BUSINESS; Leading Tabloid Publisher to Buy a Big Competitor

By ALEX KUCZYNSKI NOV. 2, 1999

In an era when Congress worries about multibillion-dollar megamergers and corporate chiefs with creased, sweaty brows testify before Congressional subcommittees about the threat of monopolization, one question has yet to rear its head: what happens if one media company starts to corner the market on tabloid gossip?

Today, America may find out as The National Enquirer (this week's headline: "Woody Allen's Bizarre Lust for Young Girls") and Star magazine ("Hunky Prince William is Moving to U.S.: Look Out Girls") are joined in tabloid bliss with The Globe ("Ravaged TV Beauty Beats Booze!") under the same owners.

American Media, the company that owns The National Enquirer and Star, is expected to announce today that it will acquire the Globe Communications Corporation for \$100 million in cash, said executives close to the deal. The price is five times Globe Communications' annual cash flow of about \$20 million.

American Media is owned by Evercore Capital Partners, which is headed by former Deputy Treasury Secretary Roger C. Altman, who is a close friend of President Clinton and Hillary Rodham Clinton, arguably the first family not only of the country, but of the tabloid press. Mr. Altman had no comment about the deal yesterday.

The deal will join The Globe, a 40-year-old weekly tabloid with a penchant for Elvis sightings and alien landings, and the approximately 30 other titles owned by Globe Communications,

including Crack'd, and Horoscopes, with The National Enquirer, Star, Weekly World News and Country Weekly.

When completed, the deal will not only annoy celebrities and pump up the nation's Elvis-memorabilia market, but will assure that almost half of the nation's supermarket check-out tabloids are under one corporate umbrella. The new company will, in short, dominate that most coveted of magazine real estate: the supermarket check-out rack.

The Globe is best known for publishing more front-page articles about the Jon-Benet Ramsey murder case than any other tabloid, and scored a coup, of sorts, by publishing the crime-scene photographs of that murder. The editor, Tony Frost, was not available for comment.

The deal has been on and off for years; Globe Communications has long been the apple of The National Enquirer's eye. The previous owner of The Enquirer, Peter Callahan, tried to buy Globe Communications at least three times, said an executive familiar with the negotiations. But Michael Rosenbloom, the Montreal businessman who owns The Globe, became concerned that the Justice Department would investigate the potential for monopoly control -- as indeed the Justice Department did briefly when Mr. Callahan bought Star from Rupert Murdoch in 1990. That investigation was fruitless.

The purchase comes at a time of growth and change for The Enquirer: the tabloid is trying to change its image under its new ownership. In February of this year, Evercore bought The Enquirer and Star for \$294 million from its joint owners, Boston Ventures and MacFadden Holdings Inc., and hired David J. Pecker, the former president and chief executive of Hachette Filipacchi Magazines, to be the chief executive of American Media.

At American Media, Mr. Pecker's goal, along with his partners at Evercore, has been to extend The National Enquirer brand to an array of new ventures that may include more television programming, new magazines -- including The Enquirer spinoffs for teenagers and Hispanic readers -- and online services. Mr. Pecker has overseen a redesign by the same designer who has redesigned The New Republic and has introduced an advertising campaign intended to portray The National Enquirer as a respected source of news on celebrities.

There is a potential for conflict among the staffs of the tabloids, said an executive familiar with the personnel at both companies. Whenever staff members are dismissed at The National Enquirer or Star, the executive said, many of them would just "go down the road" and get a job at The Globe; all three newspapers are currently based in Lantana, Fla.

Philip Murray, a vice president at Dirks Van Essen, a newspaper brokerage company in

Santa Fe, N.M., said the deal would broaden American Media's demographic reach.

"You are getting a spectrum of different readers so you can go to advertisers and offer them the range of demographics or a specific demographic," he said. The Enquirer, Star and The Globe "were fighting in the same space. If you control the content of all three, you can tailor them so they reach different people," then sell advertisers either the combined audience or one segment of it.

Leslee Dart, a public-relations executive at PMK, a firm that manages the images of celebrities like Tom Cruise, said that celebrities would just have to contend with the new gossip configuration.

"And, by the way, I've always felt it was better to have all your enemies contained in one spot," Ms. Dart said.