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Buying Elle Would Help Hearst but Create Tensions Too

Elle Could Overshadow Harper's Bazaar, Hearst's Current Fashion Leader

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NEW YORK (AdAge.com) -- Hearst stands to gain significant clout and market share if it acquires Elle and other magazines from Lagardère, a prospect the companies have agreed to spend a month working toward, but it would also face cultural tensions and new conflicts within its expanded portfolio, according to industry observers familiar with the companies.

Lagardère, which is looking to sell its magazine business outside its home country of France, and Hearst Corp., the publisher of magazines including Cosmopolitan and Good Housekeeping, said on New Year's Eve that they had agreed to hold exclusive negotiations until Jan. 30 for an all-cash sale.

Lagardère has cooled on its portfolio's prospects in the United States, but Hearst Magazines president David Carey said in a letter to employees today that the effort to buy Elle and siblings such as Car and Driver reflects a real belief in print and quality content.

"As you may know, last week we announced that we've entered a period of exclusive negotiations with Lagardère to acquire much of its global magazine portfolio, consisting of 102 magazine editions and 50 websites outside of

France," Mr. Carey told staffers. "While I can't comment further at this time, this announcement speaks volumes about our belief in the magazine medium -- in print today, plus its many other expressions tomorrow, and in the value of premium content throughout the world."

New clout against Conde Nast

A deal would help Hearst attract big advertisers, according to **Didier Guerin**, a former executive at Lagardère's Hachette Filipacchi division who has also worked at Conde Nast. "There are synergies at the operating level in ad sales and marketing, providing more marketing power and efficiencies to the buyer of Lagadere's assets," said **Mr. Guerin**, now CEO of Media Convergence Asia Pacific, a media management company. "You expand the combined revenues."

Lagardère's digital experience and the opportunity to cut costs would also help Hearst, **Mr. Guerin** said. "In the U.S., if Hearst was the acquirer, all of the above would certainly strengthen Hearst's competitive power and make life more difficult for Conde Nast," he said.

But there would be clashes as well. "There is a major cultural challenge," **Mr. Guerin** said. "Although Lagardère has many good international executives, it has a strong French culture at the corporate level, which would have to be morphed in the American culture of the potential acquirer. That's a delicate and complex human factor."

New big sister for Harper's Bazaar

Elle might also overshadow existing Hearst titles, especially Harper's Bazaar, an executive at a major fashion advertiser suggested. "Elle does compete head to head with Harper's," the executive said. "It could hurt Harper's if *Hearst bought Elle because Elle is the stronger of the two titles in my opinion.*"

Elle is certainly the bigger book. It averaged paid and verified circulation of nearly 1.1 million copies per issue over the first half of the year, compared with 744,000 at Harper's Bazaar, according to their reports to the Audit

Bureau of Circulations. Elle ran 1,548 ad pages from January through September while Harper's Bazaar ran 1,157, according to the Publishers Information Bureau.

In that sense, Elle might be a better fit for Time Inc., where it could complement In Style without competing quite so directly, the executive said.