

OCTOBER 2003

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GEEK LOVE
JOBS AND WOZ
AND GATES ALL
GREW UP ON
BYTE. NERDS
STILL MISS IT



TURF WAR
AUDITORS BPA
AND ABC ARE
FIGHTING OVER
TITLES LIKE
BUDGET LIVING



CARS ON PAPER
AUTOMAKERS
SLOW NETWORK
SPENDING.
REV UP IN MAGS



PRINTING MONEY
THIS YEAR, PAPER
MILLS COULD
MAKE THEIR PRICE
HIKES STICK

FOLIO

The TAUNTON PRESS

The earnest enthusiast company
that ignored all the rules of magazine
publishing—and built a lucrative
franchise in the process—is taking its
formula to the shelter market.
Will it fly? And what can you learn
from this DIY success story?



Handmade Magazines

Taunton founder Paul Roman learned how to build top magazines as he went along. Now, Taunton is reaching beyond its enthusiast base to shelter. How far can its DIY formula go?

By Geoff Lewis

The second week of October is market week at New York's Decoration and Design Building. Two thousand decorators a day pour through 120 showrooms on 18 floors to get a fix on what the taste-makers of interior design dictate for the coming year. The hot invitation for market week is the gala first-night cocktail reception at Charlie Palmer's Astra Café on the 14th floor. The

annual event for 250 is hosted by the magazine that is—or hopes to be—the “it book” of the design community. In years past, the hosts have ranged from *Elle Décor* to *Town & Country* to *House Beautiful*.

This year, the gala will be hosted by the The Taunton Press, a country mouse publishing outfit from rural Connecticut that will use the event to launch its new magazine, *Inspired House*. Taunton is about as far as from the glitz of shelter mag publisher Condé Nast as you can get and still be in the magazine business. “This is a really big step for Taunton,” says Monica Cheslak, director of marketing at D&D. “I think everybody is watching. It will definitely get them on peoples’ radar.”

To say that this splashy entree in the backyard of *Architectural Digest* and *House Beautiful* is out of character for Taunton is something of an understatement. The highly successful mini-empire built on woodworking, carpentry, gardening, and sewing has been on the radar of publishing executives and would-be acquirers for years. (Each of the top three U.S. magazine

publishing companies has tried to make a deal; the Roman family, which founded and owns Taunton, has consistently turned suitors away.)

Until now, however, Taunton has done little to raise its own profile. In fact, it has thrived as the self-consciously untrendy antithesis of New York magazine publishing. Taunton is country. It is earnest. It has no truck with celebrities.

Taunton is different, and Taunton people like it that way.

Tucked away in remote Newtown (so out of the way that the company has its own vans for editors to drive to the airport), Taunton has grown up with reckless disregard for all the rules of magazine publishing. Instead of cutting newsstand and subscription prices to boost circulation and ad rates, Taunton sets cover prices twice as high as those of competitors and it does not discount subscriptions. It gets 75 percent of its revenue from subscribers and newsstand sales, and does not push circ to maximize ad revenues. It takes almost no non-endemic advertising, and the back covers of Taunton's books aren't reserved for pricey advertising—they're editorial. Taunton's salespeople share commissions based on group

goals. When it's time for a redesign, there's no call to Roger Black—it's done in-house. Nor will you find a seven-figure design diva at the helm of *Inspired House* because, like other Taunton mags, it has been fashioned by the central editorial operation. (More on that later.) “Taunton takes conventional publishing and stands it on its head,” says David Sloan, managing editor of *This Old House* and a Taunton alumnus.

Its success in doing so has made the company almost legendary in magazine circles. “Taunton's strength is they know who they are, and they put out an outstanding product,” says Bonnie Bachar, vice-president and general manager of Readers Digest's North American publishing group. The company has always made money, has funded its own expansion with virtually no debt, and, thanks to its loyal subscribers, has weathered the ad recession without laying off employees. “In good times, they leave some money on the table,” says magazine consultant Peter Kreisky. “But Taunton has a model that has proven much steadier in poorer times.”

To many magazine executives, Taunton is a model of what magazine publishing could be—if only it weren't stuck where it is: in a perpetual scramble to increase (or maintain) circulation to attract the advertising that brings in more than two-thirds of revenue. The result, Hearst President Cathie Black noted in her speech at the American Magazine Conference last year, is that Americans pay more for a double latte than for a magazine. “Most publishers are rate-base driven entities,” says Taunton CEO John Lively. “Our kind of company has always focused on the inherent value of the product as the main driver of the P & L.” Even magazines that

Paul Roman's handmade prototype—1975



A LITTLE BIT COUNTRY
CEO John Lively,
flanked by
Sue (left) and
Sarah Roman

don't have the depth of content of Taunton's products—readers keep them as reference material and trade back issues on Ebay—are woefully underpriced, given the immense efforts needed to produce them, Lively says. "But the industry has conditioned the market to value certain magazines at a certain level, and the industry will have its work cut out for it to increase that perceived value."

That perception of value is not just marketing mumbo-jumbo. It's how Taunton makes money. How much? The family won't say. But from PIB reports, and other available data, it seems that total revenue from its five current titles comes in somewhere north of \$50 million annually (see table). Another \$15 million to \$18 million comes from book publishing, which the company says accounts for 35 percent of revenue. Lively declines to provide precise numbers, but says \$50 million from magazine revenue "is way low." He does allow as profitability for the 282-employee company is "above industry norms—in some cases substantially so." Given the lack of debt and lean staffs (a total of 91 editorial and art employees produce all the magazines and books; there are 28 people in ad sales and 14 in production) and Taunton's tightly run in-house fulfillment and direct-marketing operations, bankers estimate that the company is generating EBITDA in the range of 15 percent to 20 percent of revenue.

So, why would Taunton, happily spinning juicy returns for its owners, make this trip into the belly of the beast, and, more daringly, into the overstuffed shelter magazine niche? And why would it set a goal of 500,000 circ within five years (nearly two-thirds bigger than its biggest book) and—shades of *This Old House*—launch a companion television program? (Taunton is producing a program based on the magazine in conjunction with Chicago public television station WTTW that is set to air in 2004). Why would it hire a former publicist for Tina Brown at *Vanity Fair* to stage-manage the New York debut?

It's not about ego. Rather, the move into the spotlight with *Inspired House* is a calculated business strategy. "It's entirely intentional to raise our profile now," says Lively. "As everybody in the business knows, direct marketing has declined. To find our customers, now we need to find other forms of marketing."

Inspired House, of course, isn't merely a gimmick to attract new readers to Taunton products, although "that's a hoped-for



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DID IT HIMSELF Lively's woodworking led to the CEO slot

consequence," Lively concedes. The magazine is making its debut now, because, after a decade of editors kicking around the idea, last January, Taunton's board agreed it's time to greenlight a shelter magazine with the Taunton sensibility. Exactly what is the Taunton sensibility? It's "about having a full appreciation of authenticity—like using natural materials," says Lively. "Our readers are more attracted to classical proportions than to the Rococo. They shun ostentation and prize simplicity and elegant design." Instead of telling what society decorators are buying or how Goldie redid her Malibu house, Taunton will tell readers how to think about design—how to make their spaces their own, he says.

Taunton readers may spend their leisure hours in their woodshops and gardens, but they have day jobs that make them a very desirable demo. Household income for its biggest book, *Fine Homebuilding* (which has a strong professional readership), is above \$130,000. And even *Threads*, a semi-monthly for sewing enthusiasts, claims median household income of \$106,000. By contrast, *Newsweek* claims \$68,232.

What finally convinced Taunton that it had the right stuff for the shelter market was the success of *Fine Homebuilding's* home-design supplements and a series from its book division—*The Not So Big House* books by architect

Sarah Susanka. Taunton has sold more than 600,000 copies of the three books and last year's *Houses* supplement outsold *This Old House* on the newsstand.

That told Taunton that there was a broader audience for the expertise it had developed in 20 years of publishing *Fine Homebuilding* and related books. Other publishers sense a similar appetite among consumers, too. "Everybody is looking at the home and saying there is growth there," says Jim Schiekover, vice-president of DIY publishing at Readers Digest, which owns *Family Handyman* and *American Woodworker*. The growth is coming from a number of factors, including a post-9/11 nesting impulse, TV shows like "Trading Spaces," and the high cost of housing, which he says encourages consumers to plow refi dollars into home improvements.

Will the Taunton approach work in the shelter space? Unlike its specialty publications, which have easily-identified target readers and advertisers, shelter is diverse. The advertising ranges from

You Can Look, But You Can't Buy

It's not for sale, but if you lust for Taunton, what could you expect to pay? Based on public data, information from the company, and some guesswork, Taunton's total revenues are probably in the range of \$73 million. Assume EBITDA of 15 percent to 20 percent and you get \$11 million to \$15 million. Bankers figure it can fetch a healthy nine times EBITDA. Voilà, you'd be out between \$99 million and \$132 million. If Taunton were for sale.

Magazine	Subscriber Revenue	Net Newsstand	Pages	Total Ads**	Total Revenue
Fine Homebuilding	\$7,206,454	\$2,823,100	529	\$9,184,925	\$19,194,479
Fine Gardening	\$3,551,381	\$1,058,190	153	\$1,288,172	\$5,898,443
Fine Cooking	\$3,726,333	\$1,977,652	169	\$1,714,545	\$7,445,531
Fine Woodworking	\$7,056,370	\$2,116,721	281	\$4,238,604	\$13,411,695
Threads*	\$3,450,000	\$849,285	218	\$1,760,895	\$6,060,180
Total Magazine Revenue					\$52,010,328
Books (35% of revenue)					\$18,203,615
Ancillary Revenue					\$3,000,000
Total					\$73,213,943

*Unaudited. **Page rate less 10%. Data: June 30 ABC Statements, subject to audit. Methodology: Estimates are based on reported average subscription price, 45% of newsstand price and 90% of quoted 4-color page rate.

appliances to skin care. And shelter has traditionally been women's turf. "Once you move into shelter, you are moving into unknown territory, an area with much more female reach," says Sloan, who adds that *This Old House* has backed away from a shelter-ish tilt. "Can they take Taunton's formula to a broader audience? It's going to be interesting to watch." Taunton says the 180,000 startup circ for *Inspired House* will be 70 percent female; *Fine Homebuilding*, from which it springs, is 98 percent male. And it will have a much more middle-American profile—a median household income of \$78,000.

Not that anybody is betting against Taunton, which is one of the great DIY success stories in magazine publishing. It began 30 years ago with the mid-life crisis of founder Paul Roman, who had been an editor with McGraw-Hill's *Electrical World* and at Conover Mast's *Space Aeronautics*. In the 1960s, he took a public affairs job at General Electric, and when headquarters moved to Fairfield, Conn., in the early 1970s, the Romans built a house on Taunton Lake in Newtown, an old New England town near Danbury. By then Paul had become serious about his woodworking hobby and was looking for a way to turn it into his exit from corporate life.

In 1975, GE told Roman that his job was moving to Washington, giving him the impetus to launch the magazine that he had been thinking about for six years—one for serious woodworkers, not the "plywood and finishing nails" set that read *Popular Mechanics*. In his last year at GE, he spent his spare time traveling the country looking for craftsmen to write for *Fine Woodworking*. By that summer, he knew he could get the appropriate content.

Then he turned his attention to the business. Partly by intuition and partly by necessity, he struck on the high-price paid subscription model that guides Taunton to this day. Back at McGraw-Hill, Roman had seen the business crater when the top three advertisers, who accounted for 60 percent of revenue, ran into

trouble and cut their budgets. Besides, he'd had no luck snagging charter advertisers by showing his prototype. So Roman bet everything—the princely sum of \$2,700—on a direct-mail campaign to get charter subscribers to pay the start-up costs. "I didn't know anything about direct mail," Roman says. "I wrote a four-page piece on an 11 x 17 piece of paper, and Jan went to New York for three days, sat at a typewriter, and typed the names on sticky labels." (In the early years, Paul handled editorial, art, and production, and his wife Jan ran everything else.)

Roman may not have known much about direct mail, but his pitch produced extraordinary results. The piece promised a book all about craftsmanship and asked interested readers to send back \$8 for the first four issues—at a time when *Popular Mechanics* was charging \$5 for 12 issues a year. A test mailing to 20,000 hobbyists netted a 15 percent response rate—with checks. The Romans plowed that into a second mailing to 200,000 woodworkers whose names they bought from tool and equipment makers. Within a month, they had

25,000 subscribers and \$200,000. "We had told ourselves that if we had 25,000 subscribers in a year, we might make this a business," says Jan. "We did it in a month."

And they never looked back. The formula quickly gelled and was repeated in *Fine Homebuilding*, *Threads*, *Fine Gardening*, and *Fine Cooking*. The sine qua non was to provide the best

information from the top experts in the field (as told to Taunton editors) and cram lots of it into each issue. "It was a simple proposition: If I was going to charge two-or-three times the price, I was going to have to deliver two to three times the value," says Roman. "So every page had to count for the reader."

That included ad pages. Not only did Taunton focus solely on endemics, it created an upside-down rate card that favored partials—so it could jam more useful information into the book. In a move that most publishing executives would find bizarre, the Romans once placed a special surcharge on spreads because too many of them were squeezing out the



MOM AND POP
Keeping it in the family



little guys. "We'd go to MPA meetings, and people thought we were very strange," Jan says. "Of course, we were doing well, so we just sat there and smiled."

"Instinctively, I had very strong ideas of what you should do," Paul says. "I didn't intellectualize it." His instincts have created a distinct publishing culture and an editorial regime that is radically different from that of other magazines. Jefferson Kolle, who left Taunton for *This Old House* in 1999 and returned a year ago as associate editorial director—says the key is giving a single editor responsibility for the story from inception to completion, the way the readers undertake their projects. "What is unique to Taunton is that these are really handmade magazines," Kolle says. Even a junior editor has his hands on the work all the way through.

"The New York editing process is the opposite," Kolle says. "If I had an idea, it would pass through four or five editors. It was like the kid's game of telephone." At Taunton, the people who are closest to the information remain in control, which Kolle says is key for the readership: "If the expert says, 'I use this type of router bit to make a dovetail joint,' this is the way it will appear in *Fine Woodworking*."

The same approach will apply to *Inspired House*. To ensure that all the magazines share the same methodology and sensibility, the corporate editing operation launches all new magazines. Sue Roman, Paul's third daughter, is now corporate editorial director, honchoing the launch since the August departure of former editorial director Marc Vassalo, who Sue says left for personal reasons. (Reached at his New Haven home, Vassalo declines to elaborate, but says that after eight years with Taunton, he has indeed chosen to pursue other interests.) For now, Sue will double as EIC while seeking a permanent editor. Sources close to the company say it will most likely be an experienced shelter editor.

Launching without an EIC would seem weird—or suicidal—in another company. At Taunton, it's no biggie: "We know what we want it to be," says Sue. "It's the magazine that counts, not who is editing it. We don't need a star personality."

Clearly, Taunton is not the place for those with Page Six aspirations. Many of the long-time managers and editors, in fact, have no magazine experience outside Taunton. Lively, 58, joined 23 years ago as an assistant editor on *Fine Woodworking* after sending pictures of his woodworking projects to Paul Roman. David Sloan arrived in 1983 as employee No. 42, after a gig as a woodworker. Kolle was working construction in New Hampshire and pursuing "my second useless degree in English" when he answered an ad in the

The Boston Globe. And Group Publisher Jonathan Miller was a struggling PhD candidate in English who started as a direct-mail copywriter.

As the organization has grown, more magazine professionals have made the trek to Newtown. Many stayed, preferring the kinder, gentler milieu. "But, some of the people we hired just didn't like us, and they were gone," says Jan. The ones who stay are like their readers—craftsmen, says Lively: "They love the craft of making magazines."

The do-it-yourself sensibility permeates the business. For the first 20 years, the company never price-tested its products, for example. And, instead of outsourcing fulfillment, Taunton does it all in-house, because, Lively says, that helps the company gather input from readers. (He also claims renewal rates that are 35

percent above industry norms.) "There is a control-freakish nature to the company," admits COO Thomas Luxeder. "Some people say it's a cult," says Kolle. "I never agreed."

The Romans, of course, are not infallible. Two launches flopped—*Home Furniture* did not generate sufficient circulation to support itself. And *Kitchen Gardener*—for cooks who grew their own vegetables—didn't sell beyond the growing season.

FAMILY AFFAIR David and Sarah pose for a test photo

Taunton's biggest gaffe, however, was letting a competitor overtake *Fine Woodworking*. Sarah Roman, the youngest daughter and now chief marketing officer (her husband Tim Rahr is CFO), talks about this as a crisis in the family business. The trouble began when Rodale Press recruited Sloan from *Fine Woodworking*. Rodale had purchased *American Woodworker*—a veritable clone of *Fine Woodworking*, says Paul Roman—and made Sloan EIC. "It was pretty simple," recalls Sloan. "By using the normal tools of magazine publishing that Paul didn't use, we were able to quickly overtake *Fine Woodworking*." Rodale took aim at a broader slice of the market, sold at a lower newsstand price, and offered discount subscriptions. Rodale's passed Taunton's in 1993.

That was a kick in the pants for Taunton, which tossed its dowdy design, added more graphics and better photography, and stanch the losses. Still, *American Woodworking*, which has since been sold to *Readers Digest*, remains the market leader with 357,000 subscribers vs. *Fine Woodworking's* 286,000. But there are no hard feelings. "I say more power to him," says Paul Roman. "It reminded us that this is a competitive business, and we have been more competitive ever since."

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Inspired House arrives at another critical moment in Taunton's history. The founders, Paul, 72, and Jan, 66, have retired, and the corporation's voting shares are now controlled by a trust run by their five children. Although all the kids grew up in the business, they were encouraged to find their own way in the world. "At one point," says Sarah, now 37, "they were afraid that none of us would come back." She did, in 1992, after working at *Vermont* magazine, and six months ago, was named CMO to head the company's first corporate marketing effort. Sue, now 40, joined the same year, after pursuing a PhD in anthropology. Baby brother David works at Yahoo! The two oldest sisters are full-time mothers, but No. 2, Andrea, a former Lotus Development Corp. marketing exec, has consulted at the family firm.

Would the kids ever sell? The senior Romans have been planning succession for years, acutely aware of the risks involved in passing on a family publishing business. "You don't want to break up a family over business," says Paul. But the founders clearly want the business to stay *en famille*. The kids could sell, says Jan, "but not easily." Lively says he gets about a call a week from prospectors, even though the bankers know there's little chance of a sale.

Remaining independent—and growing all its products from scratch—may be a greater challenge in coming years. The slow and steady method of building quality paid circ while avoiding non-endemics may not deliver adequate growth for a company of Taunton's size. "We could have been a much bigger business," Jan points out. "I'm not sure that we could have been a more successful one."

The board, which includes all the Roman siblings, "is committed to growth," says CFO Rahr. Over the years, that has meant double-digit annual gains in both revenue and earnings, Lively says. To keep that up, would Taunton acquire titles? "We look at things from time to time," Rahr says, but it never goes anywhere. "We tend to think we can do it better ourselves."

So, what will Taunton do next? Now that *Inspired House* is pushing the company into the limelight and into broader markets, how far will it go? Lively says that the company has talked about the possibility of a general-interest book that would appeal to the Taunton-type reader. "For the near future, the broad compass of house and home is enough," he says. "But we have considered more general-interest products. And I don't see any way in the next five or 10 years, we will not go beyond this compass." Just don't expect to see Taunton's *Fine Celebrity Gossip* among the new selections. ■

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