



Lost in Transition:
*The Revolution in
Celebrity Media*

March 2009

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Lost in Transition:

The Revolution in Celebrity Media

By Ken Sonenclar

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March 2009

The supply of entertainment news continues to mushroom even as traditional media franchises built on celebrity antics and gossip erode. The Internet's irresistible economics and 24/7 cycle stole old media's fire in this frantic niche some time ago. Now, shortsighted strategies and the recession are turning a measured decline into a rout. Old media still delivers a big, engaged audience, but the magazines' cost structures are becoming ever more unmanageable. And even today's dominant websites should be looking over their shoulders.

Entertainment and celebrity media spans a diverse and wildly competitive landscape. Glossy magazines, TV tabloids, and countless websites all vie for audience and advertising. Everyone hopes that a sinking GDP means America needs entertainment more than ever. The reality is less clear-cut:

- Entertainment and gossip magazines, long the bedrock of the celebrity media mix, are watching their readership sink and their advertisers defect. Feisty online alternatives can be blamed in part, but timid magazine management and the sour economy have speeded the web's rise and the mags' descent.
- While never a broadcast or cable mainstay, celebrity programming has held its audience in recent years. Television is also proving a useful secondary platform for some. But web video's surging reach and sophistication should challenge the shows' endurance.
- Bite-sized celebrity content – news briefs, photos, professional and UCG videos – are ideal fodder for the evolving mobile web.
- The traditional and digital segments of celebrity media are overcrowded. Consolidation is inevitable on the magazine side as the ad pool shrinks. Select websites should be acquisition targets as they resist the recession's downward pull, gaining eyeballs and advertisers. But sizeable audiences notwithstanding, few gossip sites have built loyal audiences or barriers against new competitors.

Recent Celebrity & Entertainment Media Transactions

Deal value	Date	Buyer/Investor	Property (Seller)	Comment
\$12.5M	Mar-09	Sutter Hill Ventures and 4 others	Buzz Media	Total funding now exceeds \$40M
\$2M	Mar-09	Steamboat Ventures (Disney)	Coolspotters (Fantzer)	Follows \$2M A round in 2008
\$255M	Jan-09	Lions Gate Entertainment	TV Guide Network/TV Guide.com	
	Oct-08	American Media	Radar Online	
\$1	Oct-08	Open Gate Capital	Macrovision/TV Guide Magazine	\$50M+ subscription liability excluded
	Oct-08	Hollywood.com	Media By Numbers	
\$10M	Oct-08	R&S Investments	Hollywood.com (Hollywood Media)	\$1M cash + \$9M earn out
\$1.7M	Jun-08	Fandango/Comcast	movies.com (The Walt Disney Co.)	
	May-08	SheKnows (Atomic Online)	CelebrityPregnancy.com	
	May-08	Sugar Inc.	StarBrand Media	
	May-08	People.com	Celebrity Baby Blog	
	Apr-08	Buzz Media	Idolator (Gawker Media)	
\$10M	Apr-08	Logadere (Ilachette parent)	Digital Spy	
\$5M	Apr-08	Pinnacle Ventures/Lightspeed	Flixter	Series B; \$2M Series A in 2007
	Jan-08	SheKnows (Atomic Online)	RealityTVMagazine.com	
\$2,000M	Dec-07	Macrovision	TV Guide/Comstar	
\$10M	Oct-07	CBS	Dutspuller (later renamed TheInsider.com)	
\$300M	Aug-06	Wenner Media	US Weekly (The Walt Disney Co.)	Wenner buys back 50% of US

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Introduction

2008 was a year of dramatic and unexpected change. America elected its first black president; the economy lurched into its worst tailspin since the Great Depression; a team with the next-to-lowest payroll almost won the World Series. And despite it all – or perhaps in spite of it all – the # 1 search term on Yahoo was... Britney Spears.

There's nothing scientific or authoritative about Yahoo's Top 10 list, but it does offer a window into what's on people's minds. And it's apparently not the environment, Iraq, or even how to avoid having your house foreclosed.

Across newsstands, on television, up and down the web, and now directly in your pocket or purse via smartphone, the reach of celebrity news, gossip, photos and videos grows ever more pervasive.

Virginia Heffernan, a *New York Times Magazine* columnist, told a PaidContent conference last summer that celebrity journalism has replaced fiction TV, fiction movies, and even novels to some extent as our collective mass medium. And *Times* media writer David Carr argues that celebrity ranks behind only porn in web popularity.

Men slyly flip through *People* in the doctor's office, but women consume celebrity media in bulk. Bonnie Fuller, who has ridden her stints editing *US Weekly* and *Star* magazine to her own patch of fame, contends that women see celebrities as mirrors of themselves and as role models. Fuller is reportedly readying a venture-backed celebrity web site (following Tina Brown across the digital divide), and is convinced that interest in celebrity is literally in our DNA. She contends that people have a "gossip gene," and "have always been intensely curious about the rich, the powerful, the beautiful, and the famous in their cultures." She adds that starting in high school everyone is obsessed with the in crowd and that "Hollywood is our in crowd."¹ It's hard to argue with her.

What was once a diversion has become an industry: the *celebrity economy*. This white paper isn't concerned with celebrity per se, but rather with the media that covers the tangled webs of entertainment, celebrity, and gossip. It's a high-profile slice of media that has always been competitive, but that until recently was relatively stable and, for some, highly profitable. But a storm of economic, technological, and demographic change has forced open every old assumption to re-examination.

This niche is also all the more fascinating because it refuses to be dominated by media giants alone. In fact, long before blogs were ever conceived of, star journalists wielded enormous clout in the world of celebrity: from Hedda Hopper and Louella Parsons to Walter Winchell to Earl Wilson. These columnists at the height of their power were bigger brands than the newspapers that carried them. Nowadays, a blogger like Perez Hilton may be in the same position. If anything, the web's ability to empower underfunded but determined reporters has left even the mightiest media franchises vulnerable.

Top 10 Searches of 2008
Britney Spears
World Wrestling Entertainment
Barack Obama
Miley Cyrus
RuneScape
Jessica Alba
Naruto
Lindsay Lohan
Angelina Jolie
American Idol
Source: Yahoo.com

The Economic Environment and The Evolving Media Mix

It's anyone's guess how much longer the recession will last, how much further unemployment has yet to rise, whether a damaging bout of deflation will follow, or whether, despite the new Administration's best efforts, the economy is heading over a tragic cliff. No matter what, though, when we do emerge from the morass, the media world won't be returning to business as usual. History suggests that traditional media will take some body blows from the downturn, yet re-emerge largely intact. It seems likely this time around, however, that more than a few old media players are peering into a chasm they'll never cross.



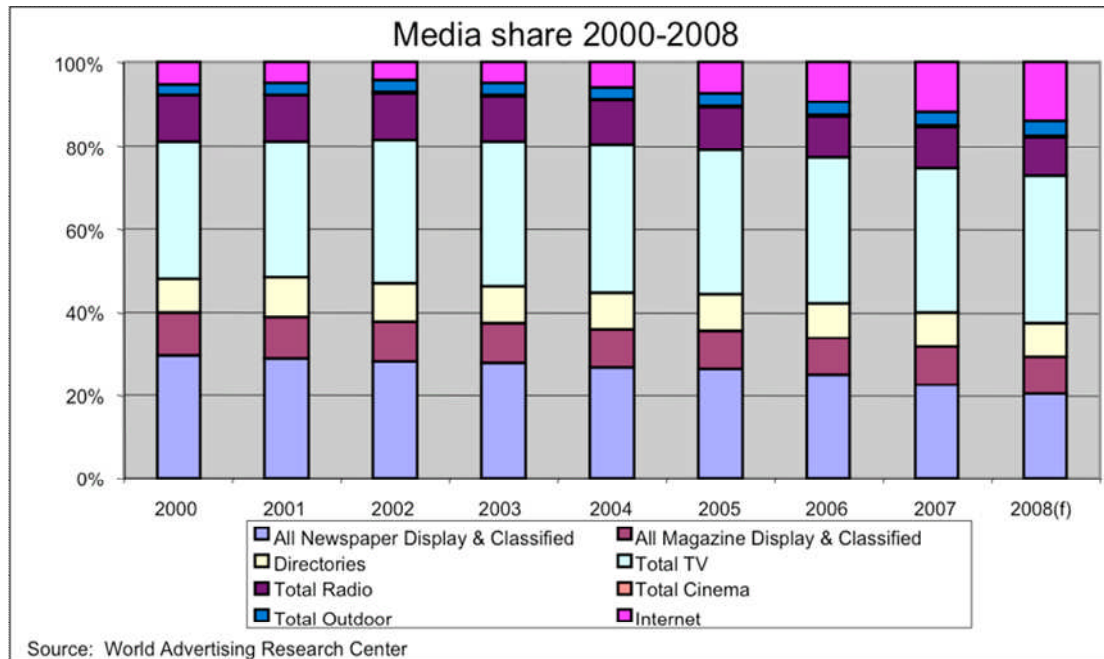
After working for years to out-do each other on the upside, advertising analysts have now reversed course and are racing to see who can lower estimates the fastest.² Total U.S. ad spending fell five percent in 2008, according to TNS Media Intelligence, and the consensus expects a decline of perhaps another six percent this year, with online spending still growing year-over-year, but far shy of earlier estimates.

In Britain, the Institute of Practitioners in Advertising's bellwether survey found that budgets for 2009 have been set *lower* for the first time in the survey's nine-year history. Every category, including the Internet, was cut in the fourth quarter of 2008.³ Looking over the longer term, the print ad market in the UK is not expected to grow again before 2013, after posting some staggering annual drops between now and then.⁴

As happens in any harsh downturn, marginal players will be squeezed out by advertisers slashing their budgets and consolidating their buys, and by consumers not grabbing a second or third magazine from the newsstand. By the time the economic tide rises, distinctly fewer old ships will remain afloat.

On the digital side, even though overall spending appears to be ticking upward, a glut of inventory and consequently crumbling CPMs are slicing many publishers' revenues. Still, online publishers are feeling far less pain than their magazine counterparts, who are being crushed by the stupendous decline in ad pages. Plus, since content sites can't charge their readers (as much as they'd like to), they have no dependence on circulation revenues. What's more, overall cost structures for generating and delivering web content remain miniscule compared to traditional media. So, barring a far deeper bottom than now foreseen, major web casualties in celebrity and entertainment are unlikely.

Still, only so much change can be attributed to the global financial crisis. As the chart on the following page makes clear, the move of advertising dollars away from old media (newspapers, magazines, directories, radio) and into new alternatives – essentially the web – has been underway for years. If anything, this downturn will act as an accelerant, potentially turning a brush fire into a blaze.



And although Internet publishers are guilty of over-promising at least as much as their traditional colleagues, and user/consumer “tracking” isn’t as clear-cut as online ad execs purport, there’s little doubt that the efficiencies of electronic media and the ability to demonstrate a return on investment work to the net’s advantage.⁵

Magazines

The stable of magazines that has prospered from supporting the celebrity economy's growth is under assault. In fact, of all the players in celebrity media, magazines have the most to lose in terms of audience and revenues – and they will certainly lose the most in the years ahead.

On a macro level, the difficulties facing entertainment and celebrity magazines are no different from the troubles plaguing the entire consumer-magazine industry.⁶

- Circulation – especially single-copy sales – is under pressure.
- Advertisers are consolidating and shifting their budgets.
- Only a small minority of magazines has demonstrated the ability to monetize the web.
- The factors that enabled magazines to enjoy some pricing power in the marketplace – better content and better reach within target demographics than competitors – are being severely undermined by web competitors.
- The industry's high fixed-cost structure, which generates exceptionally strong margins in prosperous times, weighs like an anchor even in ordinary downturns, quickly eroding profit and cash flow. In the face of a secular change in the media landscape, the revenue/cost structure may face an existential crisis – not just a bad few years.

Top Entertainment/Celebrity Magazines

Entertainment Weekly (Time Inc.)
In Touch Weekly (Bauer)
Life & Style Weekly (Bauer)
National Enquirer (American Media)
OK! Weekly (Northern & Shell)
People (Time Inc.)
Star (American Media)
TV Guide (Open Gate Capital)
US Weekly (Wenner Media)

The universe of entertainment weeklies is relatively small – just nine magazines. *People* dominates the segment, accounting for 24 percent of circulation, 28 percent of ad pages, and an eyebrow-raising 43 percent of revenues.⁷ This is quite an accomplishment for the category pioneer, now 35 years old.

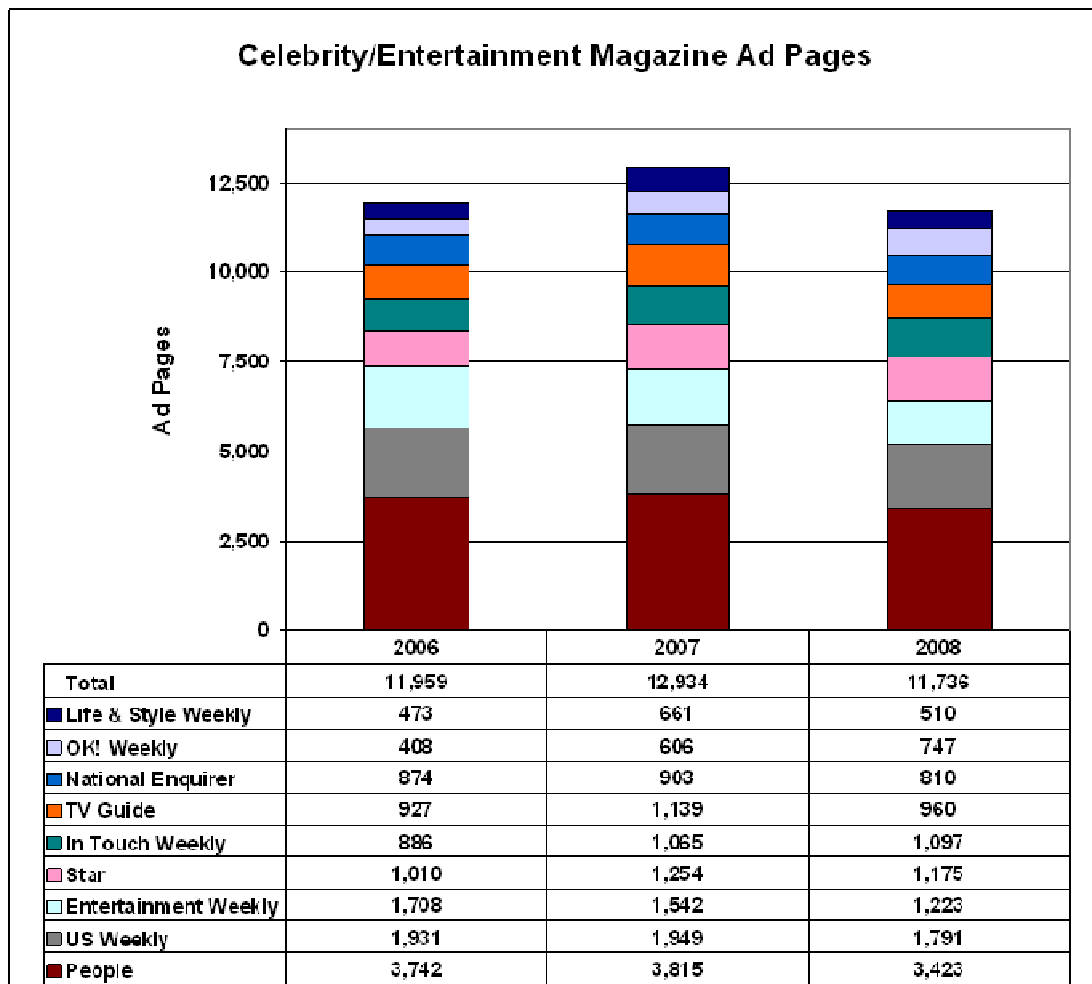
Magazine Title	Subscriptions	Single Copy
ENTERTAINMENT WEEKLY	1,701,153	50,437
IN TOUCH WEEKLY	64,419	834,492
LIFE & STYLE WEEKLY	10,189	461,969
NATIONAL ENQUIRER	271,275	620,100
OK! WEEKLY	341,759	490,417
PEOPLE	2,127,384	1,472,149
STAR MAGAZINE	571,525	617,096
TV GUIDE	2,942,230	155,291
US WEEKLY	1,011,018	796,669

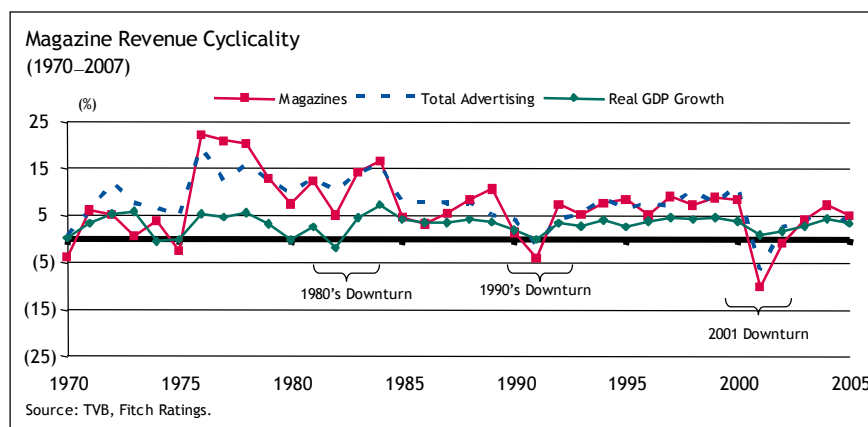
As noted earlier, the shift of ad dollars from old to new media has proceeded slowly but steadily for many years. Newspapers took the first blow, but magazines' share of total media spending has fallen as well.

The chart at the top of page 8 reveals how magazine P&L's have zigzagged over time. When compared to the overall U.S. economy and even total advertising spending, the magazines' highs are higher and the lows are lower. After each of the major downturns since 1980, magazine revenue has rebounded, albeit always a notch or two below its growth rate prior to each recession.

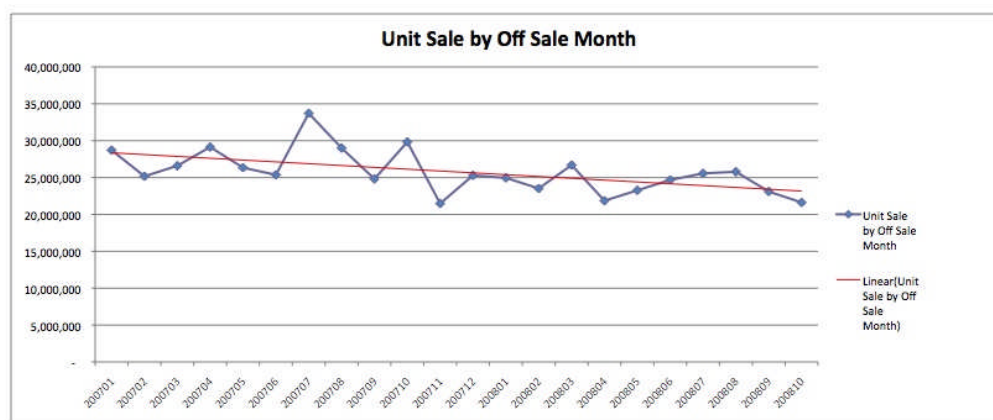
The concern across the magazine industry now is that the sharp and sudden downturn that began in the fall of 2008 will end very differently than prior dips. Instead of getting knocked to its knees but then standing up to fight another round, the fear is that the severity of the recession and the perception that the Internet offers a superior form of advertising (specifically, sharper targeting and measurement, which can generate better ROI) are, to carry the metaphor forward, a one-two punch that will leave magazines flat on the canvas. The fear is justified. Advertisers across the board are re-evaluating their strategies and refocusing ad dollars away from magazines. Magazine publishers' eventual recovery will be slow, painful, and partial at best.

The table below spells out the deteriorating ad picture for most of the celebrity sector. Though it could be interpreted that 2007 was a banner year, with 2008 sales merely dropping back to the more typical 2006 level, there's no doubt that 2008's decline is worsening this year. Total ad pages for 2009 could easily drop to 10,000.





Some suggest that declining ad revenues are damaging, but will not be as corrosive to the celebrity segment as some others because circulation income – especially newsstand sales – account for a higher percentage of revenues. But even having another revenue stream is cold comfort if it falters as well. And since 2007, retail sales have slipped steadily. The chart below tracks newsstand sales from January 2007 through October 2008. The decline has not been precipitous, but steady and worrisome.

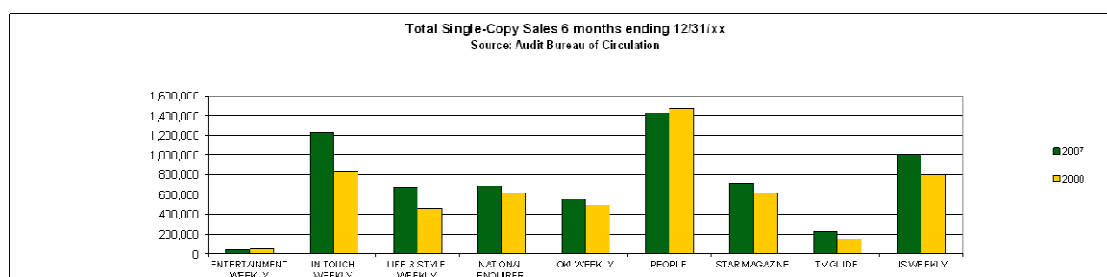
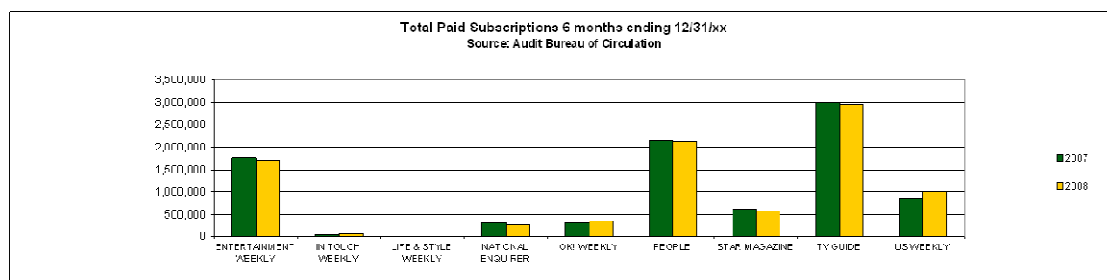


Source: MagNet, off-sale month

But more recent news is even worse. Audit Bureau of Circulations figures for the second half of 2008 show readers are clearly not grabbing their usual second or third celebrity mag off the newsstand. Comparing 2H08 to 2H07, *In Touch* dropped 32 percent; *Life & Style* – 31 percent; *US Weekly* – 21 percent; *OK!* – 11 percent. (Meanwhile, both *People* and *Entertainment Weekly* posted modest gains.)⁸ And even on their primary purchases, consumers are showing new price resistance – as with *OK!*, discussed below. (It is worth recalling too that newsstand sales are driven by *news*. It could be that Britney, Jennifer, Angelina, Lindsey, and Paris were all slumping along with the economy last summer and fall.)

As the following charts show, subscriptions have climbed – or dipped only slightly – at most celebrity magazines. This is good news if the new subs are profitable. But profitable or not, the rise has been more than offset by the slump in single-copy sales.

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Not surprisingly, the bearish economy and the segment's deteriorating fundamentals have spawned plenty of bad news. For instance:

- **Bauer Publications** is making drastic cuts to *Life & Style*. The publisher and marketing staff were recently let go, steps that follow the Editor-in-Chief's replacement in October. With its first 2009 issues, *Life & Style* and sister publication *In Touch Weekly* slashed their guaranteed rate bases for the second January in a row. *Life & Style* dropped from 550,000 to 400,000; *In Touch* from 1 million to 800,000.⁹
- **Entertainment Weekly** let go about 25% of its editorial staff in 2008. Stories that **Time** is looking to drop the print edition in favor of a web-only strategy – consistently denied – continue to make the rounds, but may be quelled with appointment of a new editor.¹⁰
- **US Weekly** has postponed plans to launch *US Style*, a fashion and beauty spinoff.
- **OK!** kicked off the new year by dropping its cover price 50 cents to \$2.99. This marked a retreat from a 50-cent jump by general manager Kent Brownridge, who had been hired by *OK!*'s UK-based parent, **Northern & Shell**, "to turn around the money-bleeding American edition," according to *The New York Post*, which added that "[founder & owner **Richard**] **Desmond** has spent about \$100 million on the U.S. edition so far and is said to be growing weary of losses, which totaled just under \$35 million" in 2007.¹¹ Apparently, though, Desmond's weariness ran deeper than any price cut could salve. By the end of January, **Kent Brownridge** was shown the door, along with the editor he had recruited.
- **American Media**, owner of *The National Enquirer* and *Star* weekly, after walking a bankruptcy tightrope for several months, emerged on Ground Hog Day with a reduced debt load and new board of directors, and perhaps more room to maneuver than in the recent past.¹² The company has announced layoffs

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periodically.¹³ Beyond this new lease on life, though, American Media faces some potential legal difficulties. In December 2008 a UCLA hospital worker pleaded guilty to selling celebrities' medical records to the *National Enquirer*. The highest-profile incident involved **Farah Fawcett**, whose cancer recurrence was revealed publicly as a result. The hospital worker now faces up to 10 years in Federal prison and as much as \$250,000 in fines. Prosecutors say the *Enquirer* paid at least \$4,600 for the information, beginning in 2006, and law-enforcement officials are still probing the magazine's role in the matter.¹⁴

Perhaps the most rattling news concerned the November sale of *TV Guide* to OpenGate Capital for \$1. (Open Gate also assumed around \$50 million in deferred subscription liabilities.)



When Rupert Murdoch bought *TV Guide* in 1988 for \$3 billion it ranked #1 in revenue for all magazines in America. But since then, cable and satellite TV offerings multiplied, and the listings core of the magazine's value eroded. Through several editorial mis-incarnations, circulation and revenue collapsed. The magazine – reborn as a TV entertainment magazine, not as a listings digest – lost \$6.5 million on almost \$51 million in revenue through the first three quarters of 2008.¹⁵

How the magazine is worth nominally .000000001 percent of what it was 20 years ago (and a third of what a single copy costs at the newsstand) is a story for a B-school case study, but what's most noteworthy now is that the sale excludes

TVguide.com and the TV Guide Network cable channel, which were sold separately in January to Lions Gate Entertainment, the Vancouver-based film company, for \$255 million. That's where the seller realized growth and value.¹⁶

Celebrity Magazines in a Digital Age

Despite the depressing outlook for magazines in general and the particular drubbing celebrity titles are taking, is it certain that we can hear the death knell for entertainment magazines?

Surely some will not survive. Nine magazines are too many in this tightfisted environment, especially given that eight of them have to divvy up the 55-60 percent of the revenue that *People* doesn't swallow every week. But even *People* has to face the same nagging issues: the segment's dwindling readership base, the buyers' market for advertising, and cost pressures across the board that are painfully compressing margins. It won't be surprising to see a few of the other eight shut down.

But the disappearance of a title or two isn't going to reinvigorate the category. The fact remains that while the magazines bid up prices for first-publication rights to marginally enticing photos of Madonna and A-Rod strolling through Central Park, readers are deserting them for the web. A new generation with no time or inclination for magazines seems happy to peek at second-run pictures of this odd couple online.

Needless to say, no publisher can ignore the web. But using the Internet simply as a subscription tool or even as a digital version of the magazine are failed strategies that give a fall sense of accomplishment while consuming precious cash.

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Not every traditional publisher has buried its head in the sand. Indeed, some have won big digital audiences. Best positioned is Time Inc. Its two celebrity magazine sites, People.com and EW.com, compete at the very top of the category. In fact, People.com has developed numerous new channels (games, style, video, and shopping), helping evolve the *People* franchise beyond a magazine and into a brand.



At the back of the line, the laggard celebrity mags are squandering their long-term viability every day they go without an effective plan. By embracing the misguided notion that protecting their paper-and-ink franchises means paying only lip service to the web (visit NationalEnquirer.com, for example), they have lost the natural advantage of building on the notoriety and good will of their glossy franchises. (American Media's purchase of the celebrity-gazing website from the defunct *Radar* magazine, with no

print legacy to protect, should free the publisher to bring its outrageousness to the web.)

Meanwhile, the threatening digital competitors, with no legacy and with far fewer resources, can put everything they have into the web. As a result, many have rushed past traditional celebrity publishers to gain share of mind, audience, and ad dollars.

But even for publishers who have succeeded on the web, the vexing immediate issue is whether celebrity *magazines* – ink on glossy paper – have a future.

Two questions run to the heart of the matter: Why should a consumer shell out \$2.99 for a copy of *Ok!* or *Life & Style* or *People*? After all, the better celebrity web sites are attractive, easy to navigate, updated seemingly around the clock, and they're free. No need to wait a week – a week! – to get your fix.

On the flip side lurks an equally disconcerting question: why should an advertiser pay premium CPMs to reach a declining, harder-to-analyze audience?

A Magazine Carol

Nearsighted and avoidant as some publishers have been, it's wrong to conclude that the rise of the celebrity web necessarily equates with the death of celebrity magazines. As the Ghost of Christmas Future told Scrooge, what we're looking at is a vision of how things might be, not how they must be. But like Scrooge himself, the magazines must change to survive.



First, as for holding onto readers, the basis for any solution is an editorial one. Magazines can't have the immediacy of the web, so they must figure out how to move stories forward in a unique way. While print's singular strength in long-form journalism is irrelevant in celebrity's short-form world, vibrant, creative, and individual editorial voices are needed more than ever.

What's more, there is no doubt that a reader's interaction with a magazine – from flipping the pages, to sniffing perfumed inserts, to appreciating photo quality, to letting their eyes roam across the page from text to picture and back again – is a different experience, and still for many a more pleasurable one, than clicking through web links.

On the business side, it is obvious that the core model for print is badly wounded – possibly mortally so: costs rising at every turn; advertisers seeking more easily verified ROI; a generation coming of age that doesn’t read; free alternatives that drain audience at the margins. Each of these problems afflicts magazines well beyond the celebrity space, and each requires a different solution. But part of the economic pressure peculiar to celebrity and gossip derives from the magazines’ determination to shell out astronomic fees for first-use of celebrity photos. *People* and UK-based *Hello! Magazine*, according to reports, jointly paid \$14 million to Angelina Jolie and Brad Pitt for first photos of their twins.¹⁷ Of the first \$100 million plowed into the U.S. edition of *OK!*, about 20 percent was used for “access.”¹⁸

Four years ago the CEO of technology publisher CMP Media surprised the B2B world by observing that his company was no longer a “publisher,” but rather a marketing-services company. Much more recently, a senior strategist at NBC said the same thing about her network and its affiliated businesses. Time’s *People* and *Entertainment Weekly* have led the way here as well by performing agency-like services and creating new and innovative tie-ins. *OK!*, despite a management reshuffling, has been distinctly creative in ad selling. The magazine saw ad pages jump 23 percent in 2008, and is tying print sales to live events such as fashion week. Overall, the magazine offers opportunities for campaigns that cross print, TV and online.¹⁹



Celebrity magazines, because they reach deep into a recognizable demographic, need not suffer like publishers of general-interest magazines and newspapers. Their audience is well defined and advertisers know whom they are reaching – and it’s not men, 18-34. Granted, the magazines can’t target the specific reader or know her unique shopping patterns, but the audience is narrow enough and the readership sharply enough identified to offer deep insight into the reader. What’s more, celebrity publishers on the web are not offering performance advertising. It’s CPM vs. CPM.

The magazines in this space – as in select other niches – offer things that advertisers can’t get elsewhere, especially a level of engagement that are a combination of culture, habit, and economics. (Let’s be honest now, everyone has ripped ads out of magazines – even risking humiliation when you do it in a waiting room. But have you ever clicked on a web display ad?)

Finally, while the Internet wins any argument over frequency, it’s arguable that celebrity magazines offer a degree of reach that even the dominant websites should envy. The best way to view this is via the language of the web, where many celebrity magazine “page views” dwarf web page views. Consider *US Weekly*. In a four-issue month, the magazine will publish 384 pages (96 pages/issue). Taking the magazine’s recent average circulation of 1.9 million, and assuming a conservative pass-along multiplier of three, yields in excess of 2 billion page views for *US Weekly* per month. That is seven times the page views of TMZ, the web site with the most page views.²⁰

To paraphrase Monty Python, the magazines aren’t dead yet (not all of them, anyway).

Television

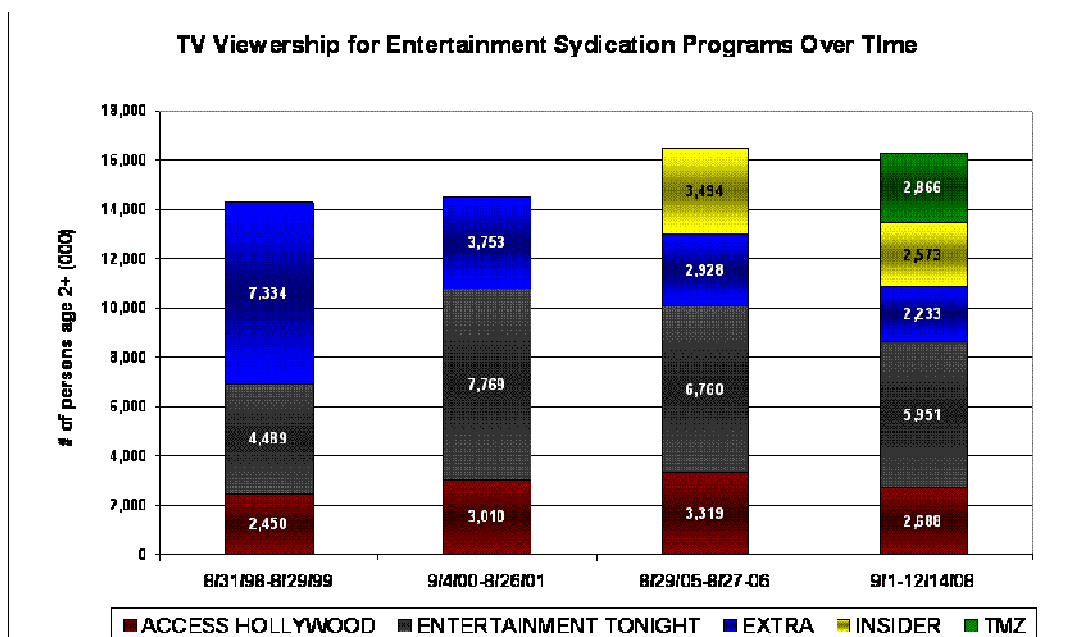
Total live TV viewing in the United States is down 10 percent this television season from last. Still, major ad buyers regard the broadcast networks as one of the few avenues for reaching a mass audience. In addition, no one is getting fired for buying national TV time. Still, there's no question that the networks are supplying more makegoods (free ads) when promised audiences aren't delivered than ever.²¹

Tabloid television shows devoted to entertainment and celebrity have never been more than a minor niche in syndication. Still, as the 10-year chart below shows, the segment has held up pretty well even as the overall TV audience continues to fracture in response to an ever-expanding menu of choices.²²

The most significant programming change has been the recent arrival of a daily TV show spun out from the popular TMZ gossip website. The show is built on the same mockery and disdain for Hollywood that has propelled TMZ.com, but it has been cleverly reimagined for TV. While not a wild success, TMZ TV helps drive traffic to the web, builds the TMZ brand, and, given the minimal production costs, certainly turns a profit.

As the chart notes, total viewership has remained relatively constant, so TMZ has only eaten into a static audience. What's more, the Nielsen data doesn't calculate unique viewers, so a hard core of celebrity vultures may be watching multiple programs.

All of the older programs have launched successful net versions, and several rank among the most viewed celebrity sites. Some syndicate their content even further across the web. But as broadband becomes more commonplace and the Internet and mobile web become venues of choice for watching celebrity video, a clear challenge for the TV audiences will come from the web. While the daily TV shows can match the web's immediacy more readily than the weekly magazines, it's less clear that these shows in their current broadcast formats will endure.



Source: The Nielsen Company

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Digital Celebrity: The Internet

It's a jungle out there...



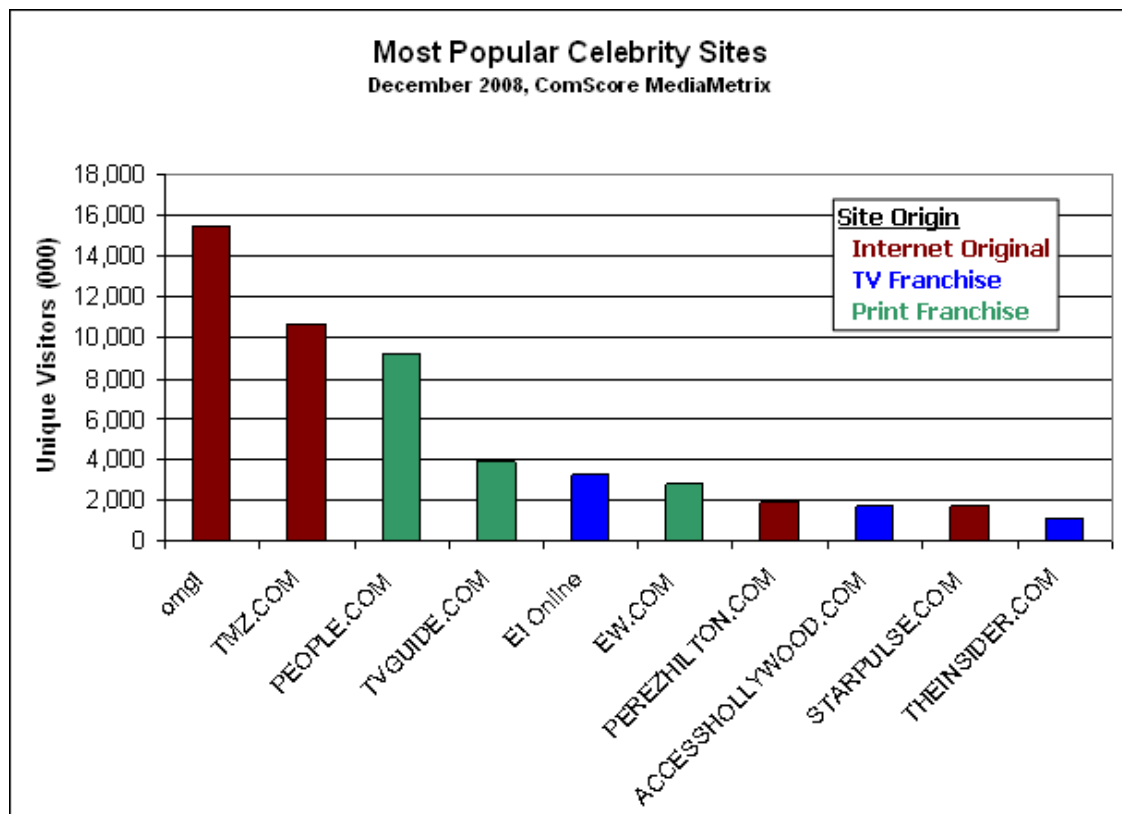
... which is both the wonder and the curse of the web. Wonderful if you're two women in Montreal with a yen to chronicle Hollywood insobriety in your spare time²³; daunting if you're building a site, hiring editors and designers, and trying to convince venture or private-equity investors that you have something unique, scalable, defensible and potentially profitable.

The welcoming economics of Internet publishing – first through text and photos, and now video – has let a thousand flowers bloom in celebrity media, allowing newcomers to battle deep-pocketed media powerhouses. This is not to say that the MasterCard-funded Davids will all ultimately triumph. Most won't, of course. And at least one old-media Goliath has morphed into a new-media Goliath a well.

What's more, the major portals see an opportunity in celebrity, and have developed sites that leverage their awesome marketing and traffic-generating power. But determination, the natural fragmentation of the media landscape, limited capital requirements, appealing editorial voices, productive ad networks, and just plain luck are ensuring that some Davids will triumph as well.

Internet Leaders

This chart of 10 top celebrity websites reveals the industry's diverse roots:²⁴



The top two sites are web creations. Two other Internet originals (Perez Hilton and Starpulse) also make the cut. The other six include three that have extended their print franchises to the web (*People*, *TV Guide*, and *Entertainment Weekly*) and three built on broadcast successes (E!, Access Hollywood, and The Insider).

Below this top tier runs an absurdly long list of more than 1,200 “celebrity stalking sites.”²⁵

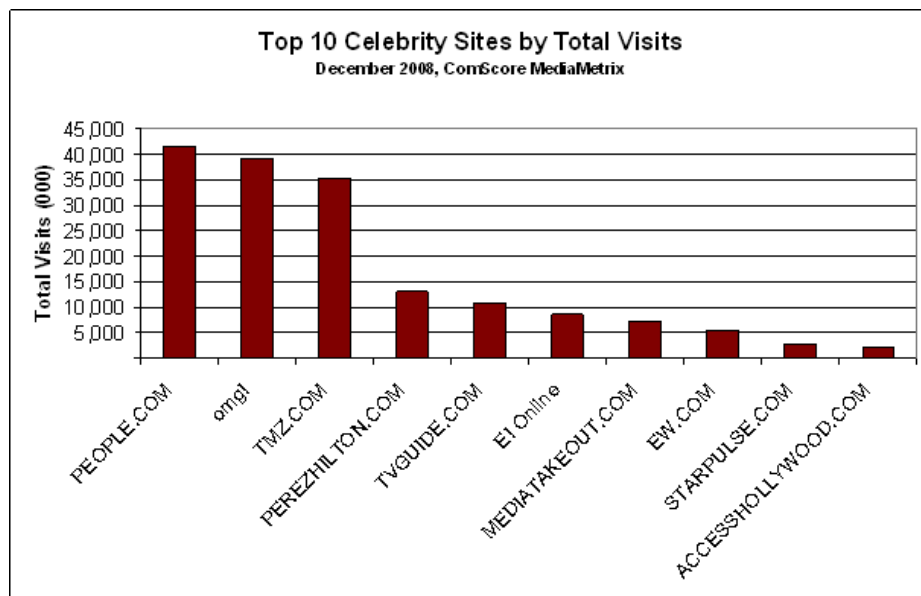
As is the case across the entire web, different measurement services report different rankings. Quantcast fixes the online adjunct of *US Weekly* (USmagazine.com)

ahead of several of the 10 sites above.²⁶ But both ComScore and Quantcast concur that the sites tied to all the remaining print pubs – OKmagazine.com, StarMagazine.com and NationalEnquirer.com (covered by American Media Network), InTouchWeekly.com, and LifeandStylemag.com – lag well behind a slew of low-budget web creations.

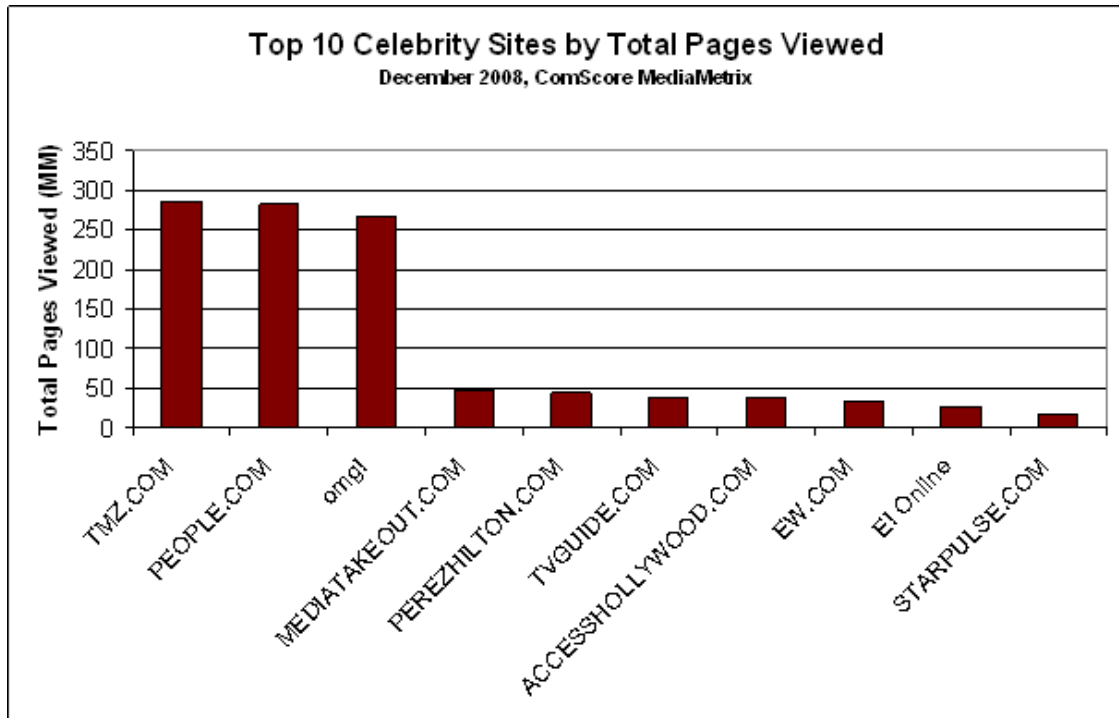
Leveraging Another Medium

Only two celebrity print publishers have truly broken through on the web and established top-ranked sites. Most notable is Time Inc., with EW.com and People.com. (Time Warner, moreover, through its AOL and Telepictures units, also owns TMZ.) The other is TV Guide. However, Open Gate Capital, the new owner of *TV Guide* magazine, did not buy top-ranked TVGuide.com, which was later sold to Lions Gate Entertainment, the film company.

Though People.com doesn't dominate the category online as it does in print, it saw revenue grow 48 percent in 2008, and ranks at the top in ComScore measures that are probably more important than unique visitors:



Having perhaps the most profitable magazine in history to build on should not minimize *People's* achievements on the web. Time Inc., moreover, made an early corporate commitment to the Internet and, like the Yankees, has had deep enough pockets to spend itself out of missteps over the years. However, a great franchise and deep pockets don't guarantee success (once again, see "Yankees – New York"). But the creative forces at People.com (a dedicated staff, separate from the magazine) today clearly understand that the Internet is a distinct medium from a weekly magazine, with a different idiom, news cycle, user expectations, and opportunities. The site, therefore, is updated continuously with original content, not rewrites from the magazine. And People.com especially leverages one of the web's true strengths: depth. For instance, "style" has long been core to the *People* brand, but peoplestylewatch.com incorporates shopping based on celebrity style, taking it to a level the magazine can't.



Why have the other print publishers, with so much at stake and certainly aware – you’d like to think – of their magazines’ slow and discouraging decline, neglected to augment their magazines (the best case) and/or prepare for the eventual transition out of print altogether (the worst case)?

As suggested earlier, fear and a failure of imagination are the prime culprits. Publishers have felt that protecting their print franchises meant limiting content posted on the web. In the most basic sense, the web was (and in some cases is) viewed as a problem and not an opportunity. What’s more, a decision to make substantial investments in Internet development seemed an unattractive option for many of the publishers, who could foresee minimal near-term ROI. As a consequence, the magazines’ websites in many cases have functioned as little more than teasers to readers to buy the magazine and as subscription vehicles.

But with the economy now in freefall, these reluctant publishers are left without the infrastructure needed to build successful web enterprises just at the time when revenues at the core business are bleeding away. So the resources needed to pursue a meaningful web strategy are far more limited, even if the will can be found.

Standing Out in the Crowd

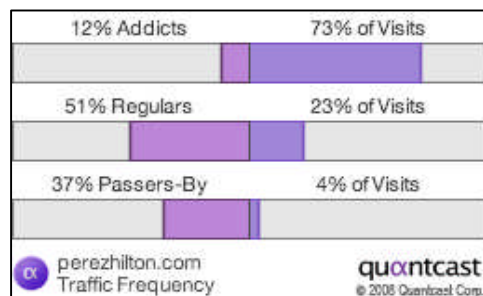
With more than half as many celebrity sites out there as there are stars on the Hollywood Walk of Fame, it’s impossible to comment on more than a handful. However, since this world gives new meaning to the phrase “me too” – beyond superficial differences in look and feel, many gossip sites are essentially indistinguishable, posting the same photos and video clips of the same celebs with the same blurbs – it’s hardly necessary. But a few are noteworthy for particular reasons:

OMG! – This site was launched by Yahoo in the middle of 2007 and bulled its way to the top of the charts in just a few months, feeding off the mammoth traffic flow from its parent. Except for a few proprietary blogs, OMG! relies on two principal content partners: NBC Entertainment-owned Access Hollywood (providing video and news) and x17 Online (for photos). The site is positioned somewhat differently from its largest competitors because it targets a teen audience. Consequently, Miley outclicks Britney, with loving attention heaped on the Jonas Brothers, Demi Lovato, and other teen idols. The site’s business model, moreover, is paradigmatic: it has minimal staff, eschews content ownership, was cheap to launch, and attracts a huge audience by piggybacking on its portal parent. This model and its success haven’t gone unnoticed. Wonderwall (from MSN) and Daily Fill (from News Corp.) have recently launched, looking to grow fat off traffic from their parent sites. Long-term success for any of these will require intelligent positioning and a strong editorial voice, but these sites start out with silver spoons in their mouths.

TMZ – There were snarky and mean-spirited gossip outlets before TMZ, but TMZ brought celebrity schadenfreude to the mainstream web. Given that it shares a common owner with celebrity-friendly People.com, TMZ is essentially the demon seed of the Time Warner family²⁷. Breaking Mel Gibson’s drunken, anti-Semitic rant in 2006 made the site’s reputation. TMZ has also been a path breaker by extending its franchise (and attitude) to television, launching itself into second place, well behind the category leader Entertainment Tonight, but ahead of earlier entrants Access Hollywood and Extra (both of which toe the publicists’ line) and The Insider. Harvey Levin, the site’s chief, contends that stars simply want “relevance,” i.e., to be in the public eye, regardless of how they come across – the old “moths to the flame” argument.²⁸



Perez Hilton – Certainly the most valuable independent site in this odd universe is Perez Hilton.com. Perez (aka Mario Lavandeira) follows in the long tradition of star gossip columnists, stamping his own personality on events. While he can be as fawning as anyone, his readers especially appreciate his bitchiness, which seems more juvenile (like Howard Stern) than mean. Perez may, in fact, constitute the most significant barrier to entry in the business: an appealing, unique editorial voice and a quirky, in-your-face persona who has become a whirling dervish of self-promotion: from the web to radio to apparel to a new book. Perez’s unique appeal is evident in the numbers. Though he garners a smallish audience (measured in ComScore uniques) compared to People.com or TMZ, the site’s uniques visit more often and stay considerably longer than visitors to almost any other site. In fact, no other celebrity site comes close to PerezHilton.com’s level of engagement. As the accompanying Quantcast chart spells out, 12 percent of the visitors to PerezHilton.com qualify as Quantcast “addicts,” accounting for 73 percent of the site’s total visits. The only other celebrity site where “addicted” visitors exceed even one percent is People.com, with three percent.



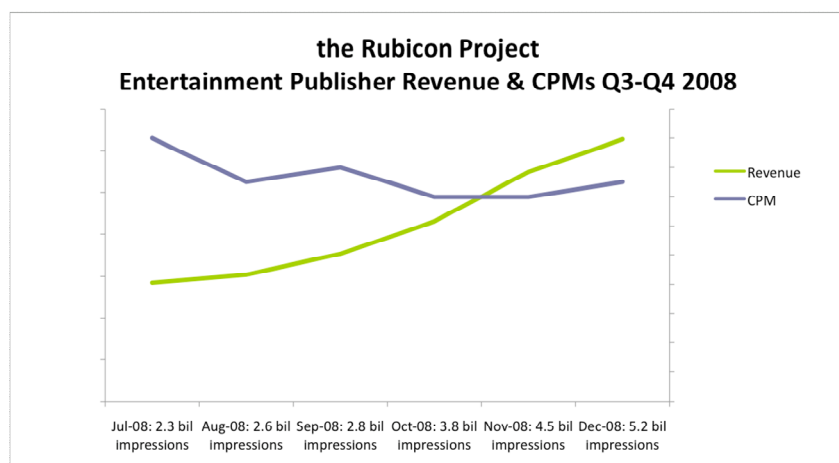
The smartest thing one of the laggard celebrity mags could do would be to buy Perez Hilton and piggyback on his brand by giving him editorial control of the magazine: *Perez Hilton's OK!*, for instance, or, as many big publishers have done with other personalities like Rachel Ray and Oprah, create a new print title for them.

Advertising Spend Up, But...

Unlike the print world, where consumer publishers strive to turn circulation into a meaningful revenue stream alongside advertising, there is no circulation revenue on the celebrity web. (Time Inc. CEO Ann Moore recently told the [London] *Telegraph* that the company is considering making People.com subscription-based.²⁹ Her distaste for the web's free content model is shared by most publishers with magazines to protect, and no doubt by some revenue-hungry web-only publishers as well. But how the competitive environment would allow even a partial pay wall seems hard to fathom.)

What's more, the frenzied competition across the web has resulted in a mammoth rise in advertising inventory and a consequent drop in CPMs.

Not long ago the conventional wisdom was that the wide disparity between online and offline CPMs would narrow – if not ultimately close – with online CPMs rising as eyeballs moved to the web. Endless inventory, however, and the fractured nature of the marketplace have derailed prospective price hikes. A flood of new celebrity gossip blogs helped push entertainment-related CPMs down 15 percent in the last quarter of 2008.³⁰ Still, overall spending is rising in this space, according to data from the Rubicon Project.



Given the decline in ad pricing and the traffic figures, it seems unlikely that more than 25 or 30 sites can be generating more than a lifestyle salary for their owners.

Consolidation? Not Yet

If this were traditional media, with traditional cost bases to support, the crowded number of celebrity “titles” competing for share would be considered ludicrous and a sure recipe for consolidation. However, given the limited operating costs that web sites can enjoy, this will remain a crowded field for some time to come. Indeed, even as the recession leaves most celebrity mags as dazed as Joaquin Phoenix, major new celebrity web sites are just now coming online.

For instance, beyond News Corp.'s **Daily Fill** and MSN's **Wonderwall**, both of which are entering the marketplace like trust-fund babies:

- **Sutter Hill Ventures** is among a consortium of major VCs backing Hollywood-based **Buzz Media**, which is building – on its own or in partnership – a series of pop culture sites, including **Celebuzz** and teen-oriented **Just Jared Jr.** Buzz is trying to distinguish itself by infusing the sites with more community aspects.³¹
- **Radar Magazine**, at its most recent demise last October, sold its website to **American Media**, which has rebuilt it as a competitor to **TMZ**.
- **CBS**, after paying \$10 million for **Dotspotter.com**, a Digg-like site for entertainment, relaunched it as **TheInsider.com** to tie it into their celebrity gossip TV show of the same name.

Despite the flattening of web ad spending and the collapse of digital CPMs, any noteworthy consolidation is unlikely before 2010, by which point lackluster ROI induced by blistering competition, even lower CPMs, and mediocre execution could wring excess capacity from the market by prompting a major player or two to exit.

Searching for Value

Even if web economics won't force a blanket consolidation any time soon, investors who want to make a buck (as opposed to supporting a lifestyle) and potential acquirers who want to buy into the space need some guidelines for assessing the industry's serious players.

As in most niches across the Internet, the “established brands” of the celebrity web are only a few years old and most have grown only shallow roots at best. What's more, because the established franchises in the print end of celebrity have largely



surrendered their natural advantage to web upstarts and some TV offshoots, this niche is more fluid than most. Even today's leaders, with the possible exception of Perez Hilton, have not built nearly enough brand loyalty to consider it a scalable and monetizable asset. It's an open question as to how much traffic **OMG!** would hold onto without Yahoo's home-page funnel. The same will no

doubt hold for MSN's **Wonderwall**.

So in a universe with little brand loyalty – at least so far – and where most players have eschewed content ownership in favor of flexibility and low costs, where is value being built and what barriers against competitors exist – or might be erected?

As discussed earlier, **PerezHilton.com** has managed to build brand loyalty based essentially on the unique appeal of its editorial voice and attitude. This has got to be a starting point for anyone looking to build equity on the celebrity web. Moreover, there's no one formula for success. There's a market for fawning and friendly as well as biting and sarcastic, from **YoungHollywood.com** to **Scandalist.com**.

Rumors persist that Bonnie Fuller will soon add her voice to the mix. By her own account, she wants to have a “conversation” with readers on an hourly basis. If that’s a conversation enough women want to have – and it probably is – she too could succeed.

Yahoo management, moreover, has signaled that it appreciates the opportunity it has created for itself. Climbing on the celebrity-baby bandwagon, OMG! this month launched “Spotlight to Nightlight,” a bi-weekly web-video series focused on the lives of celebrity moms. What’s more, State Farm has signed on as the program’s sole sponsor.³²

Beyond this, successful players need to seek greater distance from the me-too crowd: Build a multi-platform base, both to drive traffic and leverage content investments; recognize that users want more video and higher resolution photos; seek out technology that will enhance the reader/consumer’s experience and bind the user to the site; cultivate unique content, including narrow but deep takes on celebrity such as Fafarazzi.com (fantasy sports transferred to celebrity) or Coolspotters.com (a site devoted to detailing the products and services used by celebs); and differentiate from other celebrity sites by targeting audience segments identifiable by, for instance, age band (teen, young adult, boomer), ethnicity, gender, and/or income level.

At this stage, though, no site should feel secure. Even People.com, which has successfully transferred its calm and supportive persona to the web and extended it well beyond, may find the ground shifting beneath it. On the one hand, People.com (like the magazine) has positioned itself as the place readers can turn to confirm the accuracy of whatever they hear elsewhere. The emergence of other known brands on the celebrity web diminishes People’s truth-parsing role. More troublesome, though, kinder and gentler sites such as People.com have posed as safe havens for advertisers seeking to avoid racy content, posted either by site staff or by readers. However, ad buyers’ need to reach consumers is starting to trump safe havens. As *AdWeek* observed, “Digital buyers report that across several categories – particularly movie studios and products that target younger consumers – brands have come to terms with whatever reservations they might have once had about the content of such sites, as they simply cannot ignore the passionate following the sites have built.”³³

Celebrities themselves control another wild card. Just as retailers have disintermediated traditional media by becoming media themselves, the Internet is interesting as well for the possibilities it opens to celebrities for self-promotion (or setting the record straight). Musicians have pioneered this path. But other celebrities are seeking to monetize their own brands in many ways, and taking control of the “airwaves” via full-blown sites or mere tweets will be a more common phenomenon.

Finally, in a world where essentially everyone carries a still & video camera, and where vehicles exist to let the individual monetize celebrity sitings without needing to sell to professional sites, it’s easy to imagine that video shot of a celebrity and posted on YouTube can reach huge audiences and will get sponsorships, bypassing every media outlet mentioned in this report.



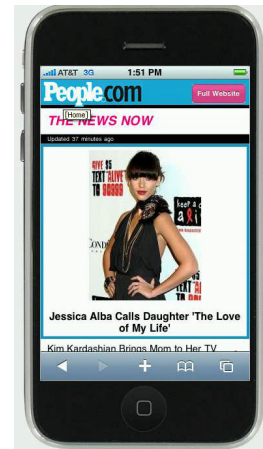
“Some love me, some hate me. I think they’re all resigned to my existence. I’m here and I’m not going away... hopefully.”

-- Perez Hilton

The Mobile Web

The micro stories, blurb commentaries, and endless still photos that have rendered celebrity ideal fodder for the “standard web,” may be even better suited to mobile devices, where the consumer’s interaction need be limited to pushing a metaphorical “next” button repeatedly, or sharing a tidbit with a friend, perhaps enhanced with a snide comment. And SMS services that push gossip “alerts” are already extremely popular.

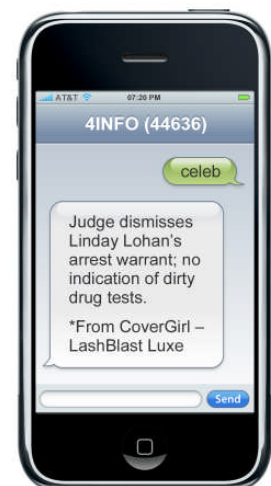
Medialets, which analyzes mobile usage, notes that games – often called a “natural” category for mobile devices – often show huge spikes in activity after launch, but then quickly fade from use. Celebrity and entertainment sites, on the other hand – at least those done well, i.e., refreshed as quickly as paparazzi can upload new photos – can prove as sticky as the gum on the movie theatre floor, enticing users to “snack” again and again and again, seemingly without end.



Crisp Wireless has brought a long list of top media brands – units of NBC, McGraw-Hill, Gannett, and Cox, among others – to mobile platforms. The company in recent months has mobilized two leading celebrity franchises: People.com and Perez Hilton. The attraction of gossip, at least Perez’s acidly flippant take on it, has proven disarmingly popular. The mobile edition of one national newspaper needed three years to reach 15 million monthly page views. Perez Hilton topped 15 million in four months.³⁴

There is no single formula. People.com (which has moved from a paid-subscription model to free) emphasizes video, an option whose popularity will grow in tandem with the expansion of 3G networks. Perez – at least to this point, and why tinker with success? – offers his standard succession of celeb photos with his scrawled, smartass comments. Yahoo’s OMG! has not mobilized the same way, but instead built an iPhone app. No matter, the young women who consume celebrity media are major buyers of smartphones and the networks will be there to deliver.³⁵ As with any new platform, first-mover advantages are there for the taking.

Gossip delivered via text alert is already a particularly addictive option for readers and advertisers, and can thrive on the sub-3G web. For instance, 4INFO Mobile Media targets a slew of celebrity alert services at young women (55% are 18-34), including celebrity gossip, celebrity birthdays, and celebrity astrology. Content from E! Entertainment Television proved so popular (its gossip alerts ranked second only to NBA scores among several dozen categories in February) that magazines (*Elle* and *Elle Girl*) and 4INFO itself (hiring its own gossip hounds) have launched separate celebrity-oriented services.

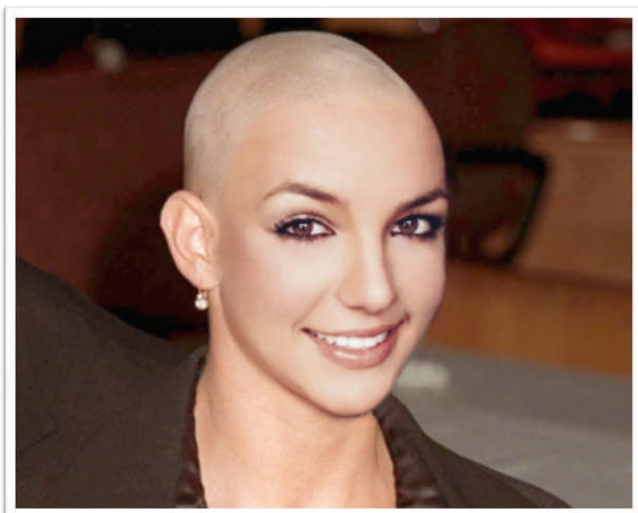


Conclusions

Celebrities today emerge from many places: TV and film, of course, but also from the basketball court to the golf course, from a Paris runway to a mafia trial, and from a purloined sex tape to the race for Vice President of the United States. Bill Clinton's saxophone-playing appearance on Arsenio Hall launched the celebrity treatment of politicians. Today it's a given: The recent election has turned the Obamas into celebrities (following Bonnie Fuller's formula, for instance, of seeing the First Lady and her struggles as inspirational for tabloid readers).

Regardless of their origin, celebrities are today's Royalty, and interest in this royalty appears boundless. So it also seems perverse that it has become so hard to turn a buck covering the new royalty.

Making big money off of celebrities is not impossible. *People* does it in print and online. *US Weekly* magazine does it. Perez Hilton does it on the web. But in this transitional period, while print media is declining, broadcast media is padding sideways, and digital media is ascendant, it is perhaps easier to spot the losers than the winners.³⁶



The face that launched a thousand web sites

It's symptomatic of the uncertainty out there that some print publishers have tried to raise rates in the face of declining rate bases. That might have worked in a world without alternatives, but that's hardly the case now. Like the railroad baron who went bankrupt because he didn't understand he was in the transportation industry, not the railroad industry, celebrity print publishers have been too late in realizing they're in the celebrity content business, not the celebrity magazine business. The fact that a given magazine enjoys barriers to entry against other magazines –

editorial talent, marketing budgets, sales teams, printing and shipping fees and distributor relationships – is irrelevant against the new breed of digital competitors.

At a media-industry breakfast in New York last November, a senior executive from a publisher of numerous category-leading magazines said he could only hope that the economic downturn would trigger a flight to “trusted brands.” Unfortunately, as the historian E.H. Carr wrote in another context, this thinking “is the product not of analysis, but of aspiration.”³⁷ That publisher has shuttered a couple of titles since then, and seen ad sales collapse at several others.

There's no argument that the next chapter in celebrity media is being written online, but convergence across media platforms is also changing the face of the celebrity-media business. Time Inc.'s *People* franchise – dominant in print, a leader on the web, and now fortifying its mobile offering – is the industry's role model. *Entertainment*

Weekly may be a more vital property today online than in print. And Wenner Media's *US Weekly* has quietly built a superior website and is distancing itself from the pack. The other celebrity weeklies face tough buy-or-build decisions. Building will require an understanding and a resolve they have never been able to muster. Buying a significant digital platform, especially one already mobilized, could quickly secure an online audience and breathe new life into a print franchise, but there are only a handful of choice independent sites that could even be candidates. Buying a secondary property that has some untapped potential – either editorial or technical – might suffice, given the resources – management, sales, traffic, and content – a traditional publisher can potentially bring to bear. American Media's inexpensive pick up of Radar.com is a shot at this jump-start strategy.

More likely in the near term are bolt-on deals for niche digital properties – such as People.com's acquisition of Celebrity Baby Blog last year – where the buyer can quickly monetize what it perceives as complementary content. What's more, with so many lifestyle-oriented entrepreneurs churning out blogs, it shouldn't take much more than a multi-year employment contract for leading sites to bulk up on proprietary content. The key consideration is whether the content is juicy enough to hold onto the ensuing traffic surge.

And yet, for those who have moved to the Internet from old media, and for most



who have jumped onto the web with no legacy to protect, building long-term value is proving problematic. Minimal barriers to entry have invited countless competitors. Most, not surprisingly, are insignificant. But even those who can fairly be called players in this niche suffer from a lack of identity, which in turn breeds little consumer loyalty, and little of the value that would make a potential acquirer comfortable. Still, the online audience for gossip and celebrity expands most months, spiking sky high for events like the Academy Awards or photos of the tragic death of a celebrity's child. And growth will always draw investors.

For those who see the decline of western civilization in the rise of a thousand celebrity websites, it's safe to say that civilization was sliding downward

long before Britney was spotted tooling around in her Escalade with her infant son bouncing on her lap. Francis Bacon lamented 400 years ago: "Fame is like a river, that beareth up things light and swollen, and drowns things weighty and solid."

Perhaps there's some solace in that it's an open question just how big the audience for gossip actually is. Magazine sales are down for a variety of structural and external reasons. Ratings for celebrity TV shows have barely budged through a decade



of economic good cheer. Perhaps this indicates that only so many people will pay with something even more valuable than \$2.99 an issue: their time and attention. And online, the already bruising competition for what may be a limited audience of celebrity gawkers is about to become truly brutal, as the big boys on the block grab for some of the action.

Nobody wants to see too much blood on the tracks, though, so in the words of Yahoo VP and entertainment GM Sibyl Goldman, "Here's to another year of celebrity break-ups, fashion faux-pas, tiny dogs, big sunglasses, time in the clink, and even bigger handbags."³⁸

¹ Fuller's notion about an innate fascination with gossip and celebrity actually jibes with recent psychological research, according to *Scientific American*, which contends that in ancient, closed and close-knit societies, "people who were fascinated with the lives of others were simply more successful than those who were not, and it is the genes of those individuals that have come down to us through the ages."

Psychologists further try to explain our fascination with celebrities – from quarterbacks to hotel heiresses – who have no real impact on our well-being, by arguing that even though we don't know celebrities in the traditional sense – they are not usually socially important members of the group – "evolution did not prepare us to distinguish among members of our community who have genuine effects on our life and the images and voices that we are bombarded with by the entertainment industry. Thus, the intense familiarity with celebrities provided by the modern media trips the same gossip mechanisms that have evolved to keep up with the affairs of in-group members. After all, anyone whom we see *that* often and know that much about must be socially important to us."

Celebrity also acts as a common thread across a fragmented social fabric. In our "highly mobile industrial society, celebrities may be the only 'friends' we have in common with our neighbors and our co-workers. They provide a common interest and topic of conversation between people who might otherwise not have much to say to one another.... Hence, keeping up on the lives of actors, politicians, and athletes can make a person more socially adept during interactions with strangers and even provide segues into social relationships with new friends in the virtual world of the Internet."

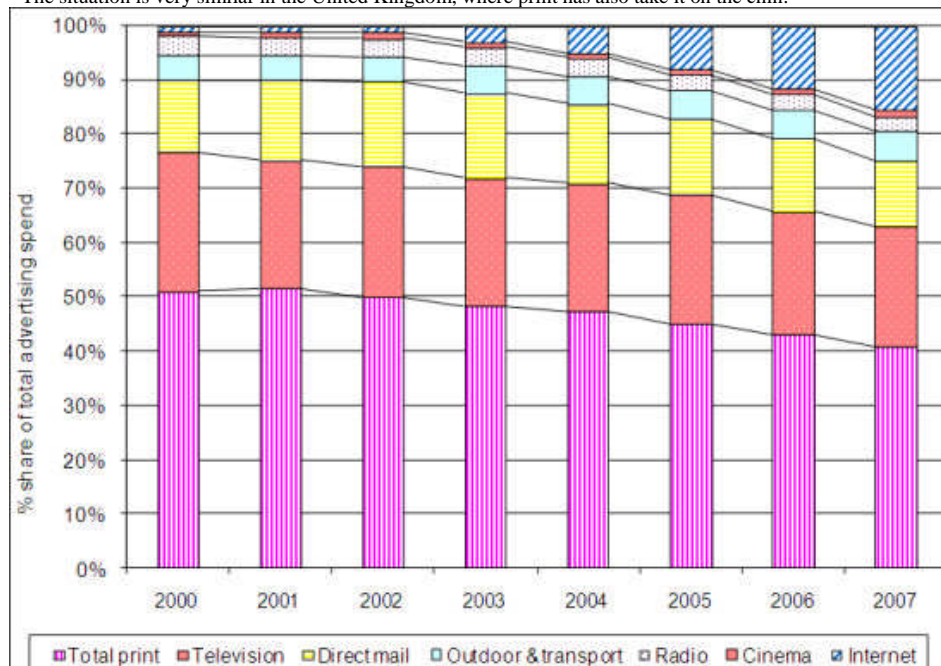
And as to why we're more interested in hearing that Kirstie Alley is fat again as opposed to thin: "... the type of knowledge that we should seek should be information that can affect our social standing relative to others. Hence, we should expect to find higher interest in negative news (such as misfortunes and scandals) about high-status people and potential rivals because we could exploit it. Negative information about those lower than us in status would not be as useful." For more detail, see "The Science of Gossip: Why We Can't Stop Ourselves," *Scientific American Mind*, October 2008).

² "Ad-Spending Forecasts are Glum," by Emily Steel, *The Wall Street Journal*, December 8, 2008.

³ "Marketing Budgets Record Fall," January 12, 2009. <http://www.ipa.co.uk/Content/Marketing-budgets-suffer-record-fall>

⁴ Enders Analysis (<http://endersanalysis.com>). Reported in *The Financial Times*, November 21, 2008.

⁵ The situation is very similar in the United Kingdom, where print has also take it on the chin:



⁶ "US Consumer Magazines: Weakness to Continue," Fitch Ratings, July 9, 2009.

⁷ Revenue data below comes from the Publishers Information Bureau and is based on rate-card sales. Though inflated, it gives directional indication:

ENTERTAINMENT/CELEBRITY MAGAZINES

	2008	2007		2008	2007	
	Dollars	Dollars	% CHG	Pages	Pages	% CHG
ENTERTAINMENT WEEKLY	132,047,592	230,317,855	-16.6	1,215.39	1,527.06	-20.4
IN TOUCH WEEKLY	136,093,942	140,189,330	-2.9	1,094.19	1,065.12	2.7
LIFE & STYLE WEEKLY	32,510,015	45,997,004	-29.3	510.97	660.70	-22.7
NATIONAL ENQUIRER	47,279,606	68,089,608	-18.6	310.16	902.64	-10.3
OK WEEKLY	31,241,950	45,179,623	35.6	748.74	608.65	23.0
PEOPLE	889,401,498	979,792,908	-8.2	3,422.23	3,889.35	-12.0
STAR	139,274,582	194,239,044	-12.9	1,173.24	1,254.46	-6.5
TV GUIDE	136,376,202	212,595,267	-7.6	358.15	1,138.21	-15.8
US WEEKLY	308,327,124	309,921,951	0.5	1,791.45	1,949.21	-8.1
TOTALS	2,042,561,310	2,216,322,590	-7.8	11,724.51	12,995.88	-9.8

⁸ Britain has also seen a plunge in celebrity mag sales. *The Daily Telegraph* reported February 12, 2009: "The [UK] celebrity weekly market is expected to be down an average of 7 percent year-on-year." According to *The Independent*, August 15, 2008: "Despite the glut of celebrity gossip, sales of celebrity magazines have hit the buffers." The newspaper attributes the sales slump to the economic downturn, the rise of gossip websites, and shrinking interest in the Big Brother TV show, which had apparently fed the magazines and consumed British celeb-watchers for some time.

⁹ "Life & Style Life Support," by Keith J. Kelly, *The New York Post*, November 26, 2008.

¹⁰ "EW Loses Its Top Editor," by Keith J. Kelly, *The New York Post*, January 7, 2009.

¹¹ *The New York Post*, October 24, 2008.

¹² "Pecker Finally Pulls it Out," by Keith J. Kelly, *The New York Post*, February 2, 2009.

¹³ "American Media Lays Off About a Dozen Staffers," by Nat Ives, *Advertising Age*, December 16, 2008; "Dykstra Beated By Book Agent," by Keith Kelly, *The New York Post*, January 14, 2009.

¹⁴ Vicki Hyman, "Hospital Worker Admits to Selling Medical Secrets of the Stars," *The Star-Ledger* (Newark, NJ), December 2, 2008.

¹⁵ Macrovision Solutions Corp., 10Q filing for 3Q08. <http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=6232262-924-171017&type=sect&dcn=0001424454-08-000010>

¹⁶ Open Gate purchased *TV Guide* magazine from Macrovision, which had bought Gemstar-TV Guide for \$2.8 billion in December 2007. The core assets, in Macrovision's eyes, were Gemstar's technologies for its interactive program guides and its relationships with cable operators.

¹⁷ The photo deal prompted a front-page story in *The New York Times* accusing *People* of agreeing to cede some editorial control over coverage of Pitt and Jolie to the actors as part of the consideration for winning the photo rights. See "Angelina Jolie's Carefully Orchestrated Image," by Brooke Barnes, *The New York Times*, November 21, 2008. The story triggered a vehement outright denial by *People* managing editor Larry Hackett, and the *Times's* own Public Editor, Clark Hoyt, sided with Hackett, chiding the *Times* reporter for "relying on anonymous sources to dispute on-the-record sources" who had refuted the *Times* story's claims. See "The Privileged and Their Children," by Clark Hoyt, *The New York Times*, December 7, 2008.

¹⁸ *The New York Post*, October 24, 2008.

¹⁹ "In Downturn, Publishers Go 'Beyond the Page'," by Jason Fell, FolioMag.com, 10/23/08.)

²⁰ Some data for computing "page views" in the magazine world:

Title	Total YE08 Circ.	Approx. Weekly (Monthly) Pages
EW	1,796,560	72 (288)
In Touch	898,911	102 (408)
Life & Style	472,158	86 (344)
National Enquirer	891,375	60 (240)
OK!	909,884	90 (360)
People	3,691,819	112 (448)
Star	1,225,521	100 (400)
TV Guide	3,256,962	72 (288)
US	1,902,964	96 (384)
Total	15,046,154	790 (3160)

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New York, NY 10016
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²¹ “TV Retains Marketing Dollars in Hard Times,” by John Consoli, *The New York Times*, December 31, 2008.

²² Data on ad pricing also indicates that the celebrity shows have held their audiences:

Time Period Analysis						
Demo: A18-49 - Avg Comm. Min. Live + 3 Days Pricing: COMBINATION CPM						
Date	Network	Day(s) of Week	Time Period	Program Type	Cost Basis	Change In Market Cost
Jul 1 2007-Jun 29 2008	TIME WARNER ENTERTAINMENT SYNDICATION	All Days	6:00AM-11:00PM	EXTRA	:30	
Jul 1 2006-Jun 30 2007	TIME WARNER ENTERTAINMENT SYNDICATION	All Days	5:30AM-11:00PM	EXTRA	:30	2.0%
Jul 1 2007-Jun 29 2008	TIME WARNER ENTERTAINMENT SYNDICATION	All Days	6:00AM-11:00PM	TMZ ON TV	:30	
Jul 1 2007-Jun 29 2008	NBC UNIVERSAL	All Days	6:00AM-11:00PM	ACCESS HOLLYWOOD	:30	
Jul 1 2006-Jun 30 2007	NBC UNIVERSAL	All Days	6:00AM-11:00PM	ACCESS HOLLYWOOD	:30	-4.2%
Jul 1 2007-Jun 29 2008	NBC UNIVERSAL	All Days	6:00AM-11:00PM	ACCESS HOLLYWOOD WEEKEND	:30	
Jul 1 2006-Jun 30 2007	NBC UNIVERSAL	All Days	6:00AM-11:00PM	ACCESS HOLLYWOOD WEEKEND	:30	1.4%
Jul 1 2007-Jun 29 2008	CBS TELEVISION DISTRIBUTION	All Days	6:00AM-11:00PM	ENTERTAINMENT TONIGHT	:30	
Jul 1 2006-Jun 30 2007	CBS TELEVISION DISTRIBUTION	All Days	6:00AM-11:00PM	ENTERTAINMENT TONIGHT	:30	-4.5%
Jul 1 2007-Jun 29 2008	CBS TELEVISION DISTRIBUTION	All Days	6:00AM-11:00PM	THE INSIDER	:30	
Jul 1 2006-Jun 30 2007	CBS TELEVISION DISTRIBUTION	All Days	6:00AM-11:00PM	THE INSIDER	:30	1.6%
Jul 1 2007-Jun 29 2008	CBS TELEVISION DISTRIBUTION	All Days	6:00AM-11:00PM	THE INSIDER WEEKEND	:30	
Jul 1 2006-Jun 30 2007	CBS TELEVISION DISTRIBUTION	All Days	6:00AM-11:00PM	THE INSIDER WEEKEND	:30	10.2%

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²³ See, for instance, Celebrity Dirty Laundry (celebritydirtylaundry.com), a celeb-worthy site built from nothing and nowhere. According to the site itself: “At the moment, the two editors of Celebrity Dirty Laundry are Robyn and Annemarie. They a Mother-Daughter Combo! Celebrity Dirty Laundry was first launched by Robyn. She currently resides in Montreal, Quebec, Canada. Unfortunately, blogging is not her full time career! She is in the process of completing a political Science major at Concordia University. In her spare time she loves reading about fashion and shopping. Celebrity Dirty Laundry added another member to the team this summer because of the growing demands of Celebrity Dirty Laundry. Robyn decided to add her mother to the team because they are close friends and a great duo! Annemarie, also resides in Montreal, Quebec, Canada. She currently owns a successful business. Her specialties include, computer programming, administrative development/ management, and call broadcasting. In her SPARE time she enjoys shopping in New York City.” (Celebrity Dirty Laundry doesn’t register on the tracking services such as Compete and Alexa, but one salacious story about Celine Dion and they’re on their way.)

²⁴ For December 2008. This list draws from ComScore’s “Entertainment – News” ranking, but is based on our own criteria for what constitutes a celebrity/entertainment site. A Top 10 list culled from Quantcast would include: 1) People 2) OMG! 3) TV Guide 4) US Magazine 5) Perez Hilton 6) Starpulse 7) TMZ 8) Hollywood.com 9) Egotastic 10) Popeater.

²⁵ Forbes.com, September 21, 2008, “Are there too many celebrity stalking sites?” by Wendy Tanaka. The source for the number of sites is Hitwise.

²⁶ Rankings change continuously on Quantcast. On March 1, 2009, USmagazine.com was ranked #221 of all sites on the web. This placed it ahead of Perez Hilton and TMZ.

²⁷ For those without a personal entry on the IMDB, TMZ stands for the “thirty mile zone” in Los Angeles centered on the old offices of The Association of Motion Pictures and Television Producers at Beverly and La Cienega Boulevards. Filming a movie or TV show outside the TMZ is considered a location shoot, requiring payment of *per diems* and other travel and living expenses. So the TMZ represents the center of Hollywood – the ground zero of celebrity.

²⁸ Levin made this comment at PaidContent’s EconCeleb conference in July 2008.

²⁹ “Time’s Ann Moore Looks to Internet Subscriptions,” by Amanda Andrews, *The [London] Telegraph*, March 10, 2009. <http://www.telegraph.co.uk/finance/newsbysector/mediatechnologyandtelecoms/4963568/Times-Ann-Moore-looks-to-internet-subscriptions.html>

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³⁰ The Rubicon Project: “Q4 [2008] Ad Network Market Report,” p.12.

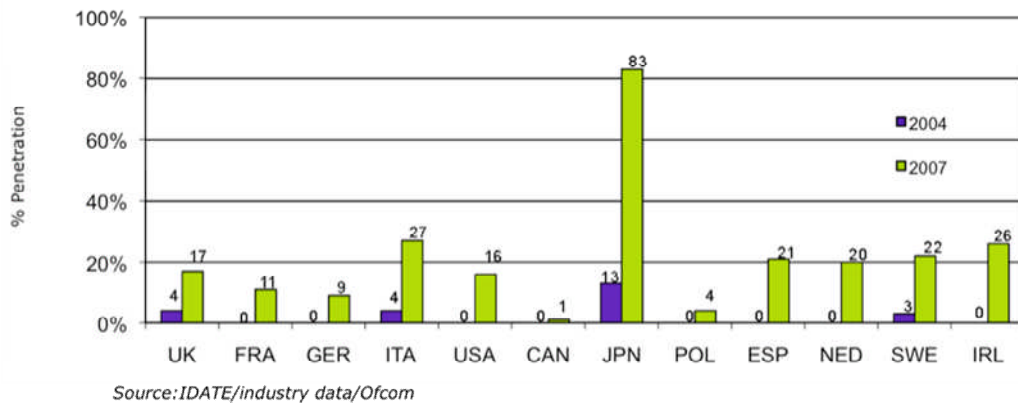
³¹ Shortly after completing its new round of financing, Buzz announced a layoff of about 20 percent of its staff, leaving it with 75 employees. The company is taking a more cautious approach in light of the economic downturn, according to its CEO.

³² The show is explicitly not a TV program transferred to the Internet, but has been produced with a web sensibility. Interestingly, the bi-lingual host (Ali Landry, a former Miss USA) shoots the webisodes in both English and Spanish. State Farm likes celebrity as a medium for reaching more female prospects. Further details at “Yahoo Reverses its Web Strategy with Web Videos,” by Brian Stelter, *The New York Times*, March 16, 2009.

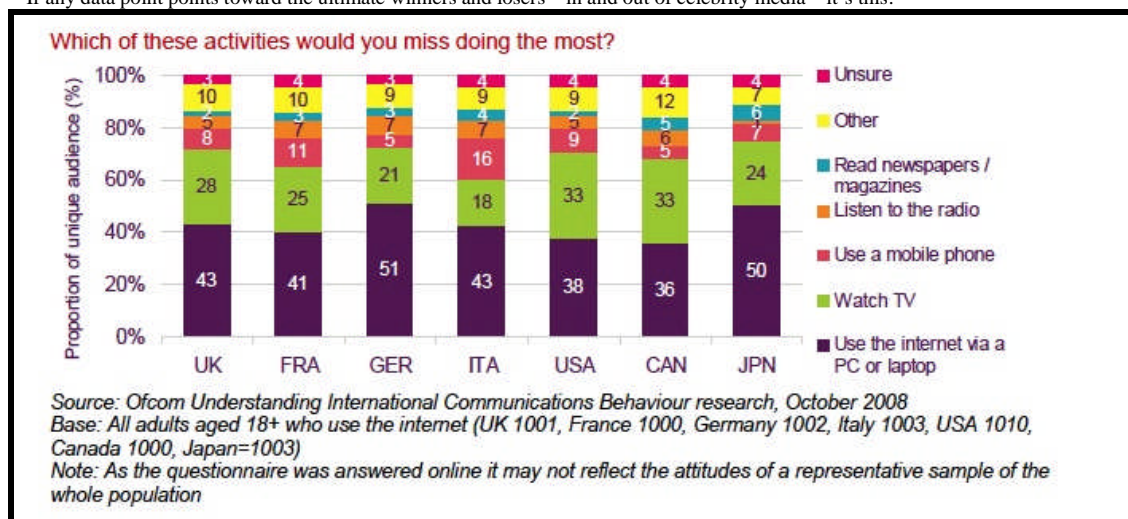
³³ “Ads for Respected Brands Hit Racy Sites,” by Mike Shields, November 3, 2008. The *AdWeek* story further noted that PerezHilton.com, for one, restricts profanity and nudity to certain sections, and has landed business from Chili’s, Samsung, and even Microsoft. “You’re definitely seeing an evolution in attitudes,” said David Goodrich, SVP, West Coast digital director at Universal McCann. “Our whole society is becoming edgier.” While many advertisers are clearly drawn, for instance, to OMG!’s softer touch, many predict brands will continue to open up to edgier celeb blogs, as long as they remain popular. “You go where pop culture is going,” said Jordan Bitterman, SVP, media director at Digitas.

³⁴ Interview with Crisp Wireless CEO Boris Fridman, January 26, 2009.

³⁵ The rise of 3G networks – whose penetration of the industrialized world is charted below – will boost consumption of high-bandwidth celebrity media.



³⁶ If any data point points toward the ultimate winners and losers – in and out of celebrity media – it’s this:



³⁷ E.H Carr, "The Twenty Years' Crisis, 1919-1939, Harper & Row, New York, 1939, p. 7.

³⁸ Posted on the Yahoo corporate blog June 13, 2008, roughly a year after OMG!'s launch.

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