

# Conde Nast Execs to Make Big Cuts, Insiders Say

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## Editors, Publishers to Meet With COO After Review by Outside Consultant

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by [Matthew Flamm](#)

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NEW YORK (AdAge.com) -- The consultants from McKinsey & Co. may have wrapped up their summer-long review of Conde Nast, but the real work on how to rein in costs at the luxury magazine publisher is about to begin.

Late last week, editors and publishers received an e-mail from Chief Operating Officer John Bellando asking them to set aside time for a meeting to go over their budgets for next year, according to two people familiar with the situation.

The aim of the meetings will be to look for ways to bring costs in line with the dramatic plunges in advertising revenue that have taken place at virtually every one of Conde Nast's 21 titles this year.

Ad pages at Vanity Fair have slid 35% through October, according to Media Industry Newsletter. Gourmet's ad pages have fallen 43% and W's are down 45%.

It's not clear how much editors and publishers will have to cut from their respective staffs and budgets, but one senior executive speculated that they could be asked to reduce spending by as much as 25%. The McKinsey findings may be tapped for ways to achieve the reductions. The assumption behind the cuts is that advertising is not going to rebound any time soon.

"They're not going to expect you to grow your way out of these [difficulties]," the executive said, referring to the feeling in the past among senior Conde Nast management that the ad recession would be

short-lived. "You're going to have to make your business work the way things are now."

Conde Nast has been working with McKinsey since July to find ways to reduce expenses and manage the business more efficiently. The division of privately held Advance Publications Inc. has been bleeding red ink this year, according to two sources.

The New York Observer reported last week that McKinsey was finishing up its review and would soon submit its findings to Chairman S.I. Newhouse and CEO Chuck Townsend.

The Conde Nast insider added that "this doesn't mean Anna Wintour is going to start taking the bus" to work, and that the company "isn't going to become like Hachette" referring to Hachette Filipacchi US, publisher of Elle and Woman's Day, which is known to run a bare bones operation.

But the expectation is that the reductions will be deeper and more painful than any Conde Nast has experienced so far. Last fall, when editors and publishers were asked to cut budgets by 5%, some managed the reduction at least partly through attrition, or by jettisoning personnel they were looking to lose.

"It was not that hard," said the executive. "This round is going to suck."

A Conde Nast spokeswoman declined to comment.

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*Matthew Flamm is a senior reporter for Crain's New York Business.*