Accounting for decision makers: budgeting - part 2

James B. Kobak

Accounting for decision makers: Budgeting

Should your bottom line be your top line? Learn how to prepare a budget and to estimate figures so you can make solid judgments early on By JAMES B. KOBAK

Budgeting -- the very idea is frightening to many people. They think in terms of the Federal budget, or of trying to develop a family budget that will end up with money unspent at year's end -- an obviously impossible exercise.

It is too bad the word budget is applied to business activities. The budget for a business is nothing more than a plan. It does not have the rigidly that a government budget must have, nor the personal application needed in a family budget. When perceived correctly, budgeting for a business can be the most useful exercise any company can engage in. The negative connotations almost always arise either because of a poor budgeting process or because the purposes and processes of good budgeting are not understood.

As I said, a budget is a plan for business. That's all! It usually is for a relatively short time, most likely a year. It covers all the income, expense and profit items involved in an operation. It is expressed in terms of dollars because that is the unit we use to quantify just about everything we do in business. But parts of it can also be expressed through other types of statistics and in narrative form.

Budgeting fulfills many purposes:

1. It develops a blueprint for operations. Any business works better if it is planned ahead.

2. It forces key people in an organization to think thorough what they are doing. All of us
Folio: The Magazine for Magazine Management: Accounting for decision makers: budgeting - part 2

have trouble thinking hard and in detail about our future plans. Budgeting forces us to do this.

3. It coordinates activities in various areas of the magazines. The advertising departments must know how much circulation there will be before it can develop advertising rates. Editorial must know how many advertising pages there will be in order to know how many editorial pages be needed. and so forth.

4. It examines alternatives strategies and tactics. During the budgeting exercise, calculations and be made to determine what different prices might mean to the bottom line, what increased circulation might cost-and what benefits might be derived. And so forth.

5. It involves key people in major decisions-and develops their interaction with one another. Most people tend to become immersed in their own day-to-day activities and

James B. Kobak is the founder of James B. Kobak & Company, a consulting firm specializing in magazines, book and other communications companies. Mr. Kobak writes and speaks frequently to various groups and conducts courses on such subjects as starting a new magazines and buying, selling and merging companies. to forget the whole. The budgeting process involves many people in an organization in the important decisions -- and forces them to work with those in other departments, people whom they normally might rarely contact.

6. It enables evaluation of performance against a plan. As the year goes on, evaluation of reality versus the plan becomes automatic. Trends are spotted easily and changes can be made quickly when deviations occur.

7. It controls operations. It is very easy for expenses to go out of control if you do not have a way to measure what they ought to be. With a budget, you can spot differences when they first occur -- and take corrective action.

8. It ensures that the key people know what the overall plan is -- and what each must do to make it work.
Types of budgets

Budgets can be made for an human activity. They will vary with the nature of that activity, the success of the enterprise, the state of the economy and, most important, the people involved.

In the magazine business there should be, at the very least, an operating budget, a cashflow budget and a balance sheet budget. Some people, those who dislike the word budget, may call them projections or pro formas. In a capital-intensive business there will be a capital budget. In a people-intensive business there will be a people or payroll budget. Sometimes there are project budgets. In magazine publishing, there will be some special budgets -- such as advertising page, subscription sales, and single-copy sales budgets.

Some companies develop only one budget a year. Others have several -- such as high, low and expected. When company or economic conditions warrant, contingency or "disaster" budgets are prepared so that action can be taken quickly if sales decline precipitously.

Periods for budgeting coincide with accounting periods so that comparisons with actual results can be easily made. In the magazine business, these would normally coincide with the dates of issue of the magazine, although often monthly figures are developed for weekly magazines.

In some companies the budget is dictated by the boss. The most effective budgeting, however, is known as a "ground up" budget. This means that every person who has responsibility for any part of the business does his own budget for his area. The overall budget is the result of putting all the pieces together in a coordinated way.

There are several reasons for this approach. First, and most important, you cannot expect as good compliance with a dictated budget as you can with one that the individuals involved helped create. Second, you want to take advantage of all the thinking and planning that you can get in a company. Third, the more people who are involved and feel that they are part of the team, the better. Fourth, the lower on the ladder you go, the more detailed knowledge there is of a function and its costs, so the more realistic the budget will be.
Steps in preparing the budget

When done right, budget preparation takes a long time. Planning has to be done on many levels. The individual budgets then have to be fitted together to yield a coherent, workable whole. This calls for lots of give and take, studies of various alternatives, and, usually, compromises.

Normally, several months before the end of a company's fiscal year the financial department sets the budget process in motion by giving each of those involved some background material designed to be helpful in developing next year's budget. The treasurer, controller or someone else in the financial end of the business is generally in charge of pulling the budget together and monitoring it.

It is helpful if the publisher sets the overall tone of what is expected by describing his feelings about the state of the economy and the state of the field served, and then making a general statement about what he expects from a profit standpoint. Then all the others involved will have a feeling for the overall direction desired.

The type of information given varies by department, but would include the following:

This year's budget: Actual figures so far this year and projections for the period of the year not yet completed.

Statistics for these periods

Competitive information

Industry norms

Each department head passes his first budget try to the level above, where it is discussed and eventually merged into one document for the company as a whole. The boss reviews the entire budget, consults with others as necessary, and sends the material back down the line with suggestions that will result in an overall budget that will be satisfactory.
process continues until agreement is reached on the best plan. This can take many meetings and the study of countless major and minor alternatives. Eventually, the final budget is adopted and becomes the plan for the year.

But a good budget is not just developed, adopted and put on the shelf. It must be a real working document used throughout the year. At the end of each accounting period, the financial department issues reports showing actual results versus the budget. These reports go to everyone who prepared a budget for an area.

If there are deviations of any significance, either better or worse, the financial department investigates the causes and indicates what they are. It is then up to each superior -- and eventually the boss -- to judge the real significance of each, to determine whether a trend is appearing, and to take whatever action might be necessary.

With a good budgeting procedure, surprises of any kind should become very rare.

Remember that, as I said at the beginning of this article, a business budget is just a plan -- it is not fixed in concrete. If major changes take place during the year, rebudgeting must be done. In doing this, however, the original budget should not be lost or abandoned -- or else it will always appear that you are always on budget, no matter what changes take place. It is good to continue to compare the original budget, in addition to the new plan, with the actual results.

Some companies rebudget automatically every quarter or twice a year. Other run a revolving budget, planning 12 months ahead every quarter. This probably is not good for everyone because it can be very time consuming and can easily lead to a mere updating rather than a real review in depth once a year.

1. Magazine budgeting: A case study

On August 1 of 1987, New Boss purchased Magazine A after having reviewed its operations for the first six months of 1986 and 1987. (See Part 1 of this article, February 1988, page 96.) He purchased the magazine because he was convinced that greater profits could be
earned if better planning and controls were developed. As one of the first steps, New Boss decided to install a budget system.

A change for interaction

While each of the key people knew his or her own area of activity, New Boss found that there were no regular meetings to discuss operations, and little interdepartmental exchange other than that which was absolutely essential. Aside from the controller, no one had ever seen any financial information.

New Boss felt that the installation of the budget offered a good chance for the key people to get to know each other, to understand the economics of the business, and to get more involved than before. Besides that, his investigation had indicated that strong controls were needed.

Further, New Boss decided that, despite the shortage of time, a budget system should begin operating in January 1988. New Boss would assume leadership of the effort, with considerable work being done by the controller and the controller staff.

Steps in organizing for budgeting

August: New Boss held a meeting with the editor, ad director, circulation director, production director and controller. Financial data for 1986 and the first six months of 1987 were presented and explained. Cashflow figures and balance sheets were also shown. A week later, another meeting of the same group was held to answer questions, clarify misconceptions and generally to get greater understanding of the numbers and of the interaction of the departments. It turned out that there had been considerable misunderstanding of how things should work -- and little appreciation of the problems each department faced. A description of the budgeting process was distributed. (See sidebar.)

September: Meeting at which the budgeting process was explained in general and the specifics of the system for Magazine A were outlined. The following data were given to each department head to serve as historical and background material.
1. Financial statements and statistical material for the last three years and this year so far.

2. Competitive data on advertising pages, advertising revenue, advertising rates, circulation prices, circulation breakdowns by geography and demographics.

3. Similar material on other magazines of the same size as Magazine A.

4. The history of salaries, commissions, and travel and entertainment expenses for each person in each manager's department.

5. A monthly breakdown of income and expense items, as well as statistics, for the individual's department. (An example of the material for editorial is shown in Illustration 1.)

6. A worksheet in exactly the same form as the monthly breakdowns above for use in making our departmental budgets for 1988. (Note that there is considerably more detail on these sheets than the actual operating statements carry.)

In addition, step-by-step instructions were offered, as well as the controller's assistance. Because of the added burdens he was assuming, the controller was offered the use of a magazine computer model to ease the making of needed calculations. The department heads were also told that they could submit their material in any of three ways:

In detailed dollars for each item each month as indicated on the worksheets.

By sitting with the controller and working out the numbers together.

By writing out the plans and letting the controller complete the worksheets.

In addition to providing the numbers, each department head also submitted a written description of his plans.

During the month of September the controller spent most of his time pushing, pulling, cajoling, explaining and helping the department heads work up their budget worksheets. (The editor's written description and budget worksheet are shown in Illustration 2.)
In working with the various departments on a day-to-day basis, the controller soon realized that the goal New Boss had set would not be met -- in fact, it would fall far short. New Boss merely pointed out that all budgets start that way and that there was still a long way to go.

Key points were indicated in the various budgets:

1. A 5 percent increase in ad pages.
2. A 5 percent increase in ad rates.
3. An increase of 20,000 in subscriptions.
4. No change in single-copy sales.
5. No charge in circulation prices.
6. Printing, paper, postage and people costs about as New boss had outlined.
7. A few new areas for spending, such as those in the editor's plan.
8. Other costs up 3 percent to 5 percent.

The result of all this activity showed total revenue of $13 million, up $900,000 from the prior year, with costs up about the same. The breakeven was gone, and the loss of $900,000 was a long way from New Boss's desire for $1,500,000 profit.

When New Boss got the first draft of the budget, each activity and each figure was reviewed with the department head who submitted it. None of the recommended salary increases was vetoed. After discussing each area with the department head -- and getting agreement -- the second budget try resulted in these major changes:

1. A 7 per cent ad rate increase rather than 5 percent.
2. A $2 increase in subscription price, but no increase in number of subscriptions.
3. A reduction from 55-pound paper to 50-pound.

4. An editorial and advertising research budget of $20,000. (This was added at the insistence of New Boss.)

5. A major reduction in editorial pages and costs.

These changes brought a profit of $1,250,000. New Boss then went back to each department head to share in some further cost reductions to reach the $1,500,000 figure.

November: The final budget meeting on November 1 was used as a forum to discuss the entire document with everyone involved. A few minor adjustments were made, but the budget was essentially finished and copies were distributed.

The conversation with the editor was probably the most difficult one. It was apparent that the thought of reducing expenses had flown right over his head -- and that he had no idea that he was running too many editorial pages. He apparently had no conception of the costs involved in additional pages or of the expense involved in color versus black and white.

New Boss impressed on the editor that the total pages and the number of four-color pages had to be reduced.

In the course of developing the budget, a schedule was constructed to make the editorial page count almost automatic for each issue, depending on the number of advertising pages and the capabilities of the printer's equipment. The format was as follows: TABLE: Editorial page schedule

<table>
<thead>
<tr>
<th>Table</th>
<th>Ad</th>
<th>Edit</th>
<th>Total pages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>pages</td>
<td>pages</td>
<td>(including cover)</td>
</tr>
</tbody>
</table>

The original budget prepared by the editor was changed:

TABLE: Per editor Revised
TABLE: Pages

Because there were fewer pages, some of the editors were eliminated and other costs were reduced:

TABLE: Per editor Revised

New Boss would have preferred that the group had worked up some alternative figures in addition. But because this was the first budget try and an abnormal number of hours had been spent in its preparation, he decided not to add that burden. Instead, with the assistance of the computer model, it was determined that a 15 percent decline in advertising would throw the magazine into a loss situation that would call for quick action. New Boss therefore decided that, for 1989, the entire group should develop high, low and most-likely figures.

The approaches to the budgeting process had varied with the different department heads. The editor sat with the controller and they did the entire worksheet together in one morning. The production and circulation managers worked up their own, which the controller reviewed. The ad director just gave the controller his written game plan and the controller actually worked up the figures, which he checked with the ad director.

In the course of preparing the budget it became apparent to New Boss that there were a number of key factors to be watched and that variations from budget could be seen very early. Although the budget was developed on a departmental basis and comparisons would eventually be shown in the way, New Boss determined that other useful reports could be developed much sooner.

Publication date for Magazine A was on the 25th of the month. The final imposition was determined on the 15th, with the last ad accepted of reports: 12th -- advertising space; 17th -- production report; 2nd of following month -- circulation and by-product sales reports.

New Boss figured that with these reports, some 90 percent of the variable income and
expenses could be determined very early. The complete accounting reports were due on the
15th of the following month.

An advertising-to-editorial ratio of about 61 percent to 39 per cent was the gold, with a
minimum editorial content of 55 pages and a maximum of 75.

On January 12, the first good news came. Advertising pages, which had been budgeted at
94, came in at 104. New Boss congratulated the ad director.

The production report on January 17 showed 78 editorial pages, eight over the projected
number; and 35 four-color editorial pages, eight over the allotment. New Boss discussed
this with the editor and they agreed that the difference should be made up in the remaining
issues of the year.

The production department also showed a print over of 5,000 copies about budget.
Investigation revealed, annual cleanup of the complimentary list had been bypassed
because of concentration on the budget. New Boss gave orders for the list to be reduced
before the February issue.

On February 2, the circulation director reported that the circulation sales report would be
late because reports received from the fulfillment house could not be believed. He visited
with fulfillment house personnel. Another report was submitted on February 9, which
indicated that the higher price had no effect on either new or renewal sales.

The report on by-reports and statistics came in, they provided some surprises. He is the
submitted report:

Controller's report -- January 1988

Despite a 10 percent advertising sales increase over budget ($100,000), operations for
January resulted in a loss of $30,000 vs. a budgeted profit of $40,000. The major deviations
from budget were --
1. Increased paper, printing and postage costs for added advertising pages -- $60,000.

2. Eight excess editorial pages, 10 more editorial color pages, and 8,000 more copies printed than budgeted -- $60,000.

3. Author's alterations about budget -- $300.

4. Advertising promotion costs $13,000 over budget. This represented a brochure for selling motel advertising, which had not been planned at the time of the budget.

5. Increased advertising sales commissions because of added page sales -- $4,000.

6. Accounting fees for assisting in setting up the budget, inadvertently omitted -- $2,400.

New Boss discussed the author's alterations with the editor, the advertising promotion costs with the ad director, and the accounting fees with the controller.

By May, the actual results were pretty close to budgeted figures -- or New Boss was informed whenever there was a chance of a deviation. It had become apparent that things were coming out much better than anticipated. Advertising showed signs of being 10 percent above the budget. Despite higher subscription prices, circulation gave every indication of increasing by 20,000 over the previous year with no increased cost. The printing escalation was settled at 3 per cent instead of the expected 5 percent, while paper was up only 2 percent. All this meant that profits would be nearer $2,000,000 than the original $1,500,000 forecast.

New Boss called for a rebudgeting beginning with July. At the meeting, each of the key people was asked to point out additional funds he or she would use during the second half of 1987 that would result in higher profits in 1988 and subsequent years. New Boss had determined that up to $300,000 would be spent for these projects, but did not inform the group of the figure.

The same process was used in rebudgeting as was agreed that the major new thrust would involve steps to increase circulation. This would then have the effect of increasing
advertising rates and other sources of income in future years. The additions to the budget included the following:

**TABLE:** The college art feature $ 85,000

**TABLE:** Newsstand promotion increase through

- added radio spots, point of sale
- material and a contest for retailers 100,000

**TABLE:** Test of higher newstand and subscription prices 50,000

**TABLE:** Reserved for special promotion if the art story turned out as well as hoped 100,000

New Boss decided that a substantial advertising rate increase could be planned for 1988 unless unexpected difficulties developed during the next few months.

2. Next month's operating statement today I have always been bothered by two statements business people constantly make:

Accounting results are just history and arrived too late for you to take any corrective action.

The figures, when they finally are produced, always seem to contain some surprises.

There is no reason for either of these feelings -- because in the magazine business, you can easily make up next month's operating statement today.

The day you accept the last advertisement for an issue, and operating statement accurate
within 1 percent can be produced. Please note that I said "accept the last advertisement." This is not necessarily the official closing date -- or the date you receive that actual copy of the advertisement, which is even later.

When you accept that last ad, you know how many pages there will be in the issue and how the forms will be laid out. If you are a monthly with a schedule like Good Housekeeping's or Playboy's it means that you can develop the operating statement for the September issue in June, which is when the last advertising pages are accepted. That certainly is not history!

Monthlies with shorter runs may not be able to do it that early, of course, because of the printing time is shorter. And the newsweeklies may have only two weeks or so before publication date. But what an improvement for most publishers -- to have the August figures in July instead of waiting for all the bookkeeping steps and detail to be finished sometime between September 15 and 30 -- which is normally the case.

Here is how you do it. All income and expense items for a magazine are either issue-related or time related.

Issue related items: Issue related items are booked on the publication date of the issue.

Advertising income can be determined at the time the last advertisement is accepted. Some publishers have computer programs that are so sophisticated that the income for the issue, taking into account all the extra charges and various discounts, can be determined within minutes of accepting that last ad.

Single-copy sales income, because of the complexities of developing good data through the retailer-wholesaler-national distributor chain, is at best an estimate until several months after the off-sale date. It is probable that estimates made months ahead will be just as good as those made a month after publication.

Subscription income is deferred by most publishers. They know far ahead what the income for any issue will be for the vast majority of the subs. Problems may develop with expires, renewals and new subs, but a sophisticated circulation department can estimate these very
Paper, printing and distribution costs can be determined very closely once the pressrun, number of pages and layout of the magazine have been determined. There may be some unknowns, such as the exact number of copies printed because of overruns, the exact paper waste, and extra printing costs that may be incurred. But these can be estimated based on prior experience. And here, too, computer programs are available that can make the calculations very quickly.

Sales commissions are developed as a by-product of the advertising income calculation.

Subscription fulfillment is developed as by-product of advertising income calculation.

Subscription fulfillment is developed as by-product of the subscription income calculation.

Editorial costs -- purchased manuscripts, artwork and photos used in an issue -- are known at the time of making it up.

Time-related items: All other income and expense items are booked as they are incurred with no attempt to pin them to specific issues.

List rental, reprint and other income is not assigned directly to an issue, but included at the time of billing. These are normally small in the overall picture. Where they are substantial, there is prescheduling so that close estimates can be made.

Most expense items, other than those noted above, the little or no relation to any particular issue and can be predicted very accurately well in advance.

Salaries, other than salespeople's commissions, are quite constant. Hirings and leavings are usually known early, as are changes in pay. Fringe benefits have no surprises. Promotion, both for advertising and circulation, is scheduled far in advance, as it research. Travel is predictable. And other administrative expenses are rarely unexpected.

So you see that every income and expense item can be determined with great accuracy far
There is no need to wait until long after the magazine is published to know what the effects of these items are -- or to be surprised by what comes out. You can make up next month's operating statement today -- or maybe yesterday.

3. Fixing profit

This is a wild one: Our operating statements are upside down. Our operating statements carry profit as the last item on the page. It seems to be only the result of what is left over from sales after we have paid everybody else. And we talk about looking at the "bottom line." Why not make it the "top line"?

Similarly, the owners' equity on our balance sheet, which should be the most important item, is way down in the lower right-hand corner -- and, in logical sequence at least, is the last item to be read. Our British friends know better than this. Their balance sheets are backwards and upside down to us. But owners' equity is at the top left where it is the first thing you see.

The backward thinking we do fits with other things publishers do. For instance, we put the most important story in the right-hand column -- when it should be on the left because we read left to right.

I know how we got this way. It's us accountant. we're better at subtracting expenses from sales than the other way around. But in this age of computers, we should be able to do it either way.

Please view this idea as more than a simple exercise in logic. Thinking that puts profit at the bottom of the column is warped. It does not give enough importance to the reason we are in business. Even worse are those people -- and there are lots of them -- who set up their statements this way:

Expenses

Income
Profit or loss

The minute I see figures set up in this sequence I know that I have a loser. He doesn't have a profit motive. And if we cannot make the rest of the figures fit, then something else should be changed -- or the method of doing business should be radically altered. This is a whole new way of thinking for most of us. But it puts the emphasis where it belongs -- on what we are trying to achieve. And this very simple change in concept can have a radical influence on how we conduct ourselves.

But there is more to it than simply developing the concept that profit is fixed. A change in the manner of making operating statements is needed because a whole new mindset is involved. Here is one approach to a new form of operating statement:

We have accomplished a rather remarkable thing. The first item is the most important one!

What is strange is that the normal way is completely contrary to the way we do just about everything else. I don't know of any football team that consciously says, "We'll give the other guys 24 points -- and if we can score more, we'll win." But that is about the approach our normal financial statements take.

The same approach can be applied to a number of the other familiar tools used in business. For instance, the "breakeven approach." I don't ever want to break even. I want to make money. Why not call it the "minimum acceptable profit approach"? Not a very catchy title, but it does get the point across.

About now you should be asking: "What, specifically, have we accomplished besides establishing a different state of mind -- one that is focused on profits rather than on thinking of profit as that which is left over after everybody else has had his?" Look at the possibilities:

The focus is on profits -- not sales or costs.

If the fixed profits do not look as if they can be achieved, then something else must change -- but not that particular number. If this means a change in the way of operating, so be it.
If there is no way of achieving the fixed profit, then let's get out of the business. This may make us stop some of those efforts which go on year after year -- with good results to be obtained next year -- every year.

In new business, if the fixed profits can never be achieved -- or take too long -- let's not even get started.

Management time -- the most precious commodity we have -- is not wasted in fruitless pursuits.

The concept is simple: Profits are a fixed item, and the first and only fixed item. Anything else must be changed to achieved it. TABLE: A city magazine 1987

Description of budgeting process

Timetable

September 1: First budget meeting and distribution of material.

October 1: Submission of first budget figures by department heads.

October 8: Completion of first combined figures by controller.

October 15: Individual review of each department's budget by New Boss with the department heads.

October 22: Resubmission of departmental budgets.

October 25: Resubmission of second combined figures by controller.

November 1: Meeting to discuss the final version of the completed budget and to make any last-minute corrections.
Preamble to budget considerations

No major changes are anticipated in operating methods during 1988. Printing prices are expected to increase in line with the labor and material escalation clauses in the contract by 5 percent beginning in May. The exact amount will not be known until the union contract negotiations have been completed. Paper prices will probably rise by 4 percent in February, but this, too, is uncertain. Postage: As usual, we should plan for a 15 percent increase in second class, 15 percent in the first and 25 percent in third in July.

There was no across-the-board salary increase last year. With continued low inflation and an improved economy, we should plan for a 5 percent overall in salaries. We must also plan for rises in other prices, although none of these is as important as the paper, printing, postage and people costs.

This means, obviously, that we need either increased income or reduced costs -- or both -- to remain at the breakeven point. And I would like to develop $1,500,000 profit for 1988 -- with much greater earnings in later periods.

Income obviously is related to the state of the economy and to the trends in the market itself, as well as to our own efforts. As you know, the economy has turned upward, which should be of some help.

From past history it does not appear that we can expect more than a small increase in advertising pages even with the improved economy. And I can't see a bonanza of suddenly increased circulation, although there should be some growth.

It seems that we won't be able even to reach a breakeven without some rate increases in advertising, circulation or both.

To meet the goal of a $1,500,000 profit, then, would seem to require a reduction in expenses as well -- just how much remains to be seen. Obviously, any plans for doing this -- or for developing quick new sources of revenue -- would be welcome.
The question of big new ideas for improving profits for the future, which some of you have mentioned, should be kept out of this current budgeting process, however welcome they may be later.

Good Luck! TABLE: Editorial department information, 1987 Illustration 1

A monthly breakdown of income and expense items, as well as statistics, should be developed for each department during the development of an overall budget. Shown here are the data generated by the editorial department. TABLE: Editorial department budget worksheet, 1988 Illustration 2

No major changes are anticipated in the overall editorial concept for 1988. We plan to add two pages per issue to cover movies in greater depth. This should also be helpful in obtaining more advertising dollars.

I see a major picture story covering the fascinating new artwork being developed in various art colleges, such as Rhode Island School of Design, University of Denver and other places. This would cost some $85,000, considering the onlocation shots, interviews, etc. We can replace some of the regular features so that it won't add any pages, but I don't expect that we will save anything in the normal art and manuscript costs.

I anticipate that total salaries will increase by 5 percent, expect that one of the assistant editors is pregnant and will have to be replaced. We may be able to save a little here, but I did not dare budget for it.

It would help the magazine a lot to switch two pages per issue from two-color to four-color. The difference in separations would be only about $400 per issue.

Other than that, we have a good, motivated, hard-working, and dedicated team that believes we can improve on last year's editorial product, which I recall you described as "superb."

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