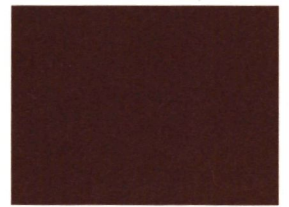




A comparative overview of 3 media giants:  
Reed Elsevier, Bertelsmann and Fininvest

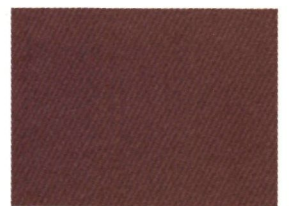
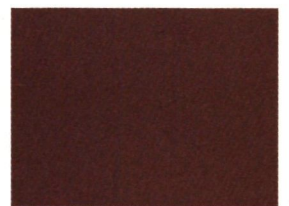
Amsterdam, October 1996

Irene Schipper



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**stichting onderzoek multinationale ondernemingen**  
centre for research on multinational corporations



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Table 1 Company introduction, showing the structure of ownership, the main activities of each group in the media industry and their company divisions.

**Table 1 Company introduction**

Table 1	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
Company structure	The parent companies Elsevier N.V. and Reed International P.L.C., each hold a 50% interest in RE. The parent companies are listed on the Amsterdam, London and New York stock exchanges.	Bertelsman AG is the management holding company and is family owned with its shareholders being: Reinhard Mohn Verwaltungs GmbH 42,65% Johannes Mohn GmbH 46,61% Dr. Gerd Bucerius 10,75% The company is not publicly traded.	The privat holding company of Silvio Berlusconi and family. A number of subsidiaries are publicly traded.
Main activities in the media industry	Publisher and information provider. Printed products in the field of scientific, professional, business and consumer publishing. RE also distributes information in electronic format through its own online services and other's and on CD-ROM.	Printed products for the consumer market and professional market, music publishing, video, film, television, radio, printing industry and providing information through on-line services.	Its main media activities are television and advertising, publishing, recording activities, and film production and distribution.  Activities outside the media industry are: retailing, real estate, construction, financial services and sports interests.

Table 1	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
Company divisions	Four divisions: -Scientific (journals, handbooks and databases) -Professional (reference works, books, databases, cd-rom) -Business (travel, exhibition and information services, magazines, directories) -and the Consumer division (magazines and books)	Five divisions: -Books (book and music clubs, book publishing and direct sales and professional information) -BMG Entertainment (television, rights and licences, production and radio) -Gruner + Jahr (magazines and newspapers) -Bertelsmann Industry (printing of magazines and advertising material, books and calenders, paper production and services) -Multimedia (CD-ROM, on-line services and digital television)	Seven divisions: -Television and advertisement (Mediaset, Publitalia) -Publishing (Mondadori, Silvio Berlusconi Editore, Elemond-Einaudi) -Retailing (department stores, supermarkets like Standa, Euromercato, Supermercanti Brianzioli) -Film (production and distribution) and Cinemas (Cinema 5, Finsimac, Medusa distributore, Silvio Berlusconi Communications) -Life insurance and financial activities (Mediolanum) -Sports (AC Milan, Palavolo Mediolanum) -Real Estate (Immobiliare Buonaparte), aeroplanes (Alba Servizio) and tourism (Five Viaggi)

As seen in this table, Fininvest has the most widely ranging spread of activities, including non-media activities.

Bertelsmann covers almost all forms of media activities.

Reed Elsevier is concentrated in professional and scientific information.

The table on the next page shows the publishing and printing activities of each group in the three distinguished markets; the consumer, the scientific, the professional and the professional/business markets.



Table 2. Publishing areas in traditional media.

Table 2	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
Consumer market	The Consumer segment comprises magazine publishing, serving principally the UK market, and consumer book publishing.	The Gruner + Jahr magazines and newspapers, the Book division with the book and music clubs and the book publishing and direct sales.	not available (n.a.)
magazines:	<p>Companies:</p> <p><b>IPC Magazines (IPC):</b> is the UK's leading publisher of consumer magazines with a portfolio of 69 titles in 30 market sectors. It has leading market positions in 18 sectors in which it operate. In 1995 IPC launched its first two CD-ROM titles.</p> <p>The following activities are sold: <u>Cahners Consumer Magazines</u>: publishes 14 titles and six consumer magazines of <u>Bonaventura</u>, plus 13 non-core US medical journals in 1996.</p>	<p>The Gruner + Jahr Magazine division has 35 titles in German language and 38 international titels (France, USA, Spain, Great Britain, Italy and Poland).</p>	<p>TV Sorrisi &amp; Canzoni, Tuttomusica and Spettacolo.</p>
Books:	<p><b>Reed consumer Books:</b> A UK-based consumer book publisher with subsidiaries in Australia, New Zealand and Singapore. The sale of Reed Consumer Books is planned for in 1996.</p>	<p>Bertelsmann is leader in the book industry in Germany, France, Spain, Great Britain and the USA. The book clubs accounted for 60 percent of total sales of the Book division and has a membership base of 25 million worldwide. Besides the book clubs this division consists of literature and specialized books, reference books, how-to Books and cartography.</p>	<p>n.a.</p>

Table 2	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
<p>continue consumer market: Newspapers</p>	<p>The sales of the newspaper business in the UK and the Netherlands was effected in 1995. This concerned <u>Reed Regional Papers</u>, publisher of four evening and 90 weekly titles in the UK; <u>Dagbladunie</u>, a leading Dutch newspaper publisher. Its portfolio includes two national newspapers (NRC Handelsblad and Algemeen Dagblad) and regional newspapers.</p>	<p>Gruner + Jahr Newspaper division has seven German newspapers, six free ad-driven papers and and a stake in newspapers in Hungary and Slovakia.</p>	<p>Il Giornale.</p>

Table 2	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
Publishing areas: Scientific	<p>The scientific division of RE consists of Elsevier Science and Medical.</p> <p>Elsevier Science is the world's leading publisher of scientific information. Elsevier Science publishes 1200 specialist journals but also provides newsletters, reference books, bulletins, abstract journals and handbooks.</p> <p>In 1995, most of the activities of Reed Elsevier Medical Group were integrated into Elsevier Science.</p> <p>In February 1995, Elsevier Electronic Subscriptions was introduced.</p> <p>The company also launched several electronic journals, CD-ROM titles and EMBASE. EMBASE is a pharmacological and biomedical Bibliography database, the database is available on-line and on CD-ROM.</p> <p>-In July 1996, RE acquired, in alliance with Times Mirror, the premier US legal citation business Shepard's.</p> <p>-In August 1996, RE acquired Tolley's Publishing company.</p>	At Bertelsmann science is part of the Professional Information segment.	n.a.



Table 2	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
<p>Publishing area: Professional</p> <p>Business</p>	<p>Companies serving the legal, tax, reference and educational markets around the world through a variety of publishing formats. Companies: Butterworth (UK), Editions du Juris-Claasseur (FRA), Giuffè (ITA), Wydawnictwa Prawnicze PWN, Lexis-Nexis, Reed Reference Publishing, Reed Educational and Professional Publishing.</p> <p>The business segment of RE are: Travel, exhibition and information service companies and magazine publishing companies. The Reed Travel Group consists of Reed Travel Publishing (world's largest provider of travel information), Utell International (world's largest hotel marketing and reservation company) and OAG Travel Services.</p> <p>Other companies are Reed Information Services (directories like Kompass), Reed Technology and Information services, Reed Exhibitions Companies (exhibition organiser with over 310 events in 22 countries), Cahners Publishing Company, Reed Business Publishing, Misset and Pan European Publishing Company. RE acquired in 1995 Thomson World Trade Exhibitions.</p>	<ul style="list-style-type: none"> <li>-Science/economics publishers;</li> <li>-medical publishers;</li> <li>-publishers in the field of transportation/driving;</li> <li>-construction and environmental publishers;</li> <li>-The Direct Marketing group;</li> <li>-Patent information services;</li> <li>-and Telephone directories.</li> </ul>	<p>n.a.</p>

Table 2	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
Printing industry	RE disposed of its NDU printing activities.	Bertelsmann Industry division consists of 20 companies which are offset printing plants, rotogravure plants and fulfillment companies. Printed products are newspapers, calendars and paperbacks. BE's major printing business in North America (OPM) has captured a 25% share of the paperback market.	n.a.

The portfolio of Reed Elsevier is focused on scientific, professional and business information markets. Reed Elsevier is reducing its exposure to consumer markets. In December 1994, the company acquired Lexis-Nexis, the largest provider of full-text online information services in the legal, news, business and government areas. The database Lexis-Nexis is available in 60 countries. This was a very important acquisition because the company is building upon the expertise of Lexis-Nexis to expand its technological infrastructure.

The following table shows the participation of each group in new media, also called multimedia activities, including radio, television, pay-TV, music publishing and interactive products.

**Table 3. New media/multimedia**

Table 3	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
Radio	In 1994 RE planned a radio news channel in partnership with Quote in the Netherlands but it was not continued.	RUFA (Bonn), FPS, FM Network, Klassik Radio, Berliner Rundfunk, Radio Hamburg, Antennen Bayern, RWR (Dusseldorf).	n.a.

Table 3	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
Television	RE sold its shares of RTL 4 in 1994. Reed International sold its shares in SKY.	<p>In 1994/95, UFA Film- und Fernseh-GmbH, the European film, TV and radio company of BE, held a stake of 37,1% in the Commercial TV Broadcaster RTL in Germany. An increase of this stake was not permitted by CLT, the largest shareholder of RTL. However, since April 1996, BE has a stake of 50% in the TV-giant CLT, which makes BE a dominant factor in the TV business in Europe. It now has interests in Commercial TV Channels in Germany, France, UK and The Netherlands.</p> <p>UFA has also a partnership with the TV Company Canal Plus, they jointly invested in the French regional commercial television broadcaster Télé Monte Carlo.</p> <p>Channels currently owned: Fratel Luxembourg, RTL Plus, RTL 2, VOX Film- und Fernseh GmbH, CBC, TMC, SECA in addition all the other channels of CLT.</p>	<p>Mediaset is the television and advertisement company of FI. It owns Italy's three largest commercial TV channels and the biggest television advertising company (Publitalia). A library of film rights, a record production company and a film equipment company are part of Mediaset.</p> <p>Since June 1996, Mediaset is publically traded on the stock exchange in Milan and on Seaq in London, Silvio Berlusconi however still owns 48% of the company.</p> <p>Channels owned: Rete 4, Italia 1, Canale 5, Telemilano (Italy), La cinq (France) Tele 5 KMP (Germany), Telecinco (Spain)</p>
Pay-TV	not relevant	<p>The first pay-TV in Germany, Premiere-TV (37,5%), active in sports and movie syndication.</p> <p>BE has an agreement with Havas (Hachette), Canal Plus and BskyB (Rupert Murdoch) concerning Pay-TV (1996).</p>	Fininvest is for 39,9% owner of Telepiù, pay-TV in Italy.



Table 3	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
Music Publishing	not relevant	<p>Music is the cornerstone of Bertelsmann Music Group, it has a 14 percent share of the world market. It consists of some 200 labels in 40 countries.</p> <p>Famous labels are: RCA, Arista Records and BMG Ariola.</p> <p>Sonopress is the world leader in storage media production with a daily output of 2.3 million CD's, cassettes and CD-ROMS.</p>	n.a.
Other (multi)media: Video/film/interactive media etc.	<p>The interactive media of RE (CD-ROM's, on-line services and databases) is present in all publishing areas.</p> <p>In 1995, electronic publishing accounted for 16 % of RE's revenues.</p> <p>The hardcopy products of RE are expected to account for the major proportion of sales for a long time to come.</p>	<p>Besides the publishing areas, multimedia products are produced by the BMG Entertainment division. BMG Video International produces videos such as music videos, animation, feature film etc. BMG Interactive Entertainment produces interactive games, 'infotainment' and 'edutainment' titles.</p> <p>Major event in the multimedia division was the company's entry to the global online services business. BE acquired a stake in America Online (AOL), with which it has established a joint venture for the European market.</p>	<p>Videotime (film/video).</p> <p>In May 1996, FI agreed to join Albacom, the joint venture of British Telecom with Banca Nazionale del Lavoro (BNL). This is an important diversification by FI into the world of telecommunications.</p>

The strategy of Bertelsmann is to develop new markets in close cooperation with strong partners. the joint venture with America Online is to build up interactive online services in Europe (1995). The partnership has already established national operating companies in Germany, France and Great Britain.

For the national online services, BE has cooperative agreements and joint ventures with several publishing companies to provide the information content of the national online services. One example is the investment in Pixelpark (Berlin).

As Reed Elsevier is describes in it annual report, the company is focussed on:

- "must have" information used by professionals and businesses;



- leading market positions in the markets in which it operate;
- large and growing markets;
- and media neutral databases to generate products in whatever formats, print, CD-ROM or online.

Table 4. Revenues by division and by region.

Table 4	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
Revenues by division 1993	Share of operating profit Scientific: 28% Professional: 19% Business: 33% Consumer: 20%	Revenues by division Book 29% BMG Entertainment 19% Gruner + Jahr 29% Bertelsmann Industry 23%	n.a.
Revenues by division 1994	Share of operating profit Scientific: 27% Professional: 20% Business: 34% Consumer: 19%	Revenues by division Book 29% BMG Entertainment 18% Gruner + Jahr 29% Bertelsmann Industry 24%	Revenues of Mediaset, the television and advertising company of FI Television advertising 87.2% Other advertising 2.8% TV rights and promotion 2.4% Recording activities 1.3% Construction and maintainance of TV and civil infrastructure 2.0% Sales of goods 1.3% Cinema 1.2% Others 1.9%

Table 4	Reed Elsevier (RE)	Bertelsmann (BE)	Fininvest (FI)
Revenues by division 1995	Share of operating profit Scientific: 28% Professional: 30% Business: 32% Consumer: 10%	Revenues by division Book 28% BMG Entertainment 19% Gruner + Jahr 28% Bertelsmann Industry 25%	Revenues of Mediaset, the television and advertising company of FI Television advertising 91.0% Other advertising 1.8% TV rights and promotion 1.4% Recording activities 1.7% Construction and maintenance of TV and civil infrastructure 2.3% Sales of goods 1.1% Cinema - Others 1.2%
Major markets by region	The USA is the most important single market. The three major markets are the USA, the UK and the Netherlands.	Bertelsmann is active in more than 40 countries. Two-thirds of Bertelsmann's total revenue is generated outside of Germany. BE wants to expand in Asia, especially in China and India, because the Far East is still underrepresented in the scope of Bertelsmann's worldwide activities. They are operating in 10 Asian countries, chiefly in the Music sector. (The main markets are Germany, USA, Europe)	n.a.

Table 4	Reed Elsevier (RE)		Bertelsmann (BE)		Fininvest (FI)	
Revenues by region	1994	1995	1994	1995	n.a.	
	North America	36%	41%	Germany	36,3%	34,8%
	UK	23%	20%	Other European countr.	31,3%	33,5%
	The Netherlands	5%	5%	USA	24,4%	24,1%
	Rest of Europe	12%	12%	Other countries	8%	7,6%
	Asia/Pacific (Discontinued operations)	11%	10%			
		13%	12%			

Table 5. Employee numbers by division and by region.

Table 5	Reed Elsevier (RE)	Bertelsmann	Fininvest																																										
Total number of employees	Average number of people employed during the year 1992: 25,600 1993: 25,700 1994: 26,900 1995: 30,400	1992: 48,781 1993: 50,437 1994: 51,767 1995: 57,397	1992: 1993: 1994: 40,000 1995:																																										
Number of employees by division	<table border="1"> <thead> <tr> <th>Divisions</th> <th>1994</th> <th>1995</th> </tr> </thead> <tbody> <tr> <td>Scientific</td> <td>3,100</td> <td>3,200</td> </tr> <tr> <td>Professional</td> <td>4,200</td> <td>7,400</td> </tr> <tr> <td>Business</td> <td>11,100</td> <td>11,400</td> </tr> <tr> <td>Consumer</td> <td>3,400</td> <td>3,600</td> </tr> <tr> <td>discontinued operations</td> <td>5,100</td> <td>4,800</td> </tr> <tr> <td>Total</td> <td>26,900</td> <td>30,400</td> </tr> </tbody> </table> <p>The increase in average number of employees in the Professional segment in 1995 is due to the acquisition of Lexis-Nexis in December 1994.</p>	Divisions	1994	1995	Scientific	3,100	3,200	Professional	4,200	7,400	Business	11,100	11,400	Consumer	3,400	3,600	discontinued operations	5,100	4,800	Total	26,900	30,400	<table border="1"> <thead> <tr> <th>Divisions</th> <th>1994</th> <th>1995</th> </tr> </thead> <tbody> <tr> <td>Book</td> <td>17,135</td> <td>18,876</td> </tr> <tr> <td>Printing industry</td> <td>12,442</td> <td>13,287</td> </tr> <tr> <td>BMG Entertainment</td> <td>9,344</td> <td>11,663</td> </tr> <tr> <td>Gruner + Jahr</td> <td>11,824</td> <td>12,555</td> </tr> <tr> <td>Headoffice/services</td> <td>1,022</td> <td>1,016</td> </tr> <tr> <td>Total</td> <td>51,767</td> <td>57,397</td> </tr> </tbody> </table>	Divisions	1994	1995	Book	17,135	18,876	Printing industry	12,442	13,287	BMG Entertainment	9,344	11,663	Gruner + Jahr	11,824	12,555	Headoffice/services	1,022	1,016	Total	51,767	57,397	n.a.
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Table 5	Reed Elsevier (RE)	Bertelsmann	Fininvest
Number of employees	Average number employed during the year 1993 1994 1995	1994 1995	n.a.
by region	North America 7,800 7,900 11,500 UK 10,200 7,300 7,400 Netherlands 4,400 3,000 2,800 rest Europe 1,600 1,800 1,900 Asia/Pacific 1,700 1,800 2,000  Discontinued operations 5,100 4,800  Total 25,700 26,900 30,400  The increase in average number of employees in North America in 1995 is due to the acquisition of Lexis-Nexis in December 1994.	Germany 23,908 24,281 International 27,859 33,116  The number of employees mainly increased outside Germany. About 50% of the increase was accounted for by internal growth. The remaining increase came from consolidation for the first time of Book Clubs Associates in Britain, the acquisition of the Italian Music Company Ricordi, and the purchase of magazines from the New York Times Company in the United States. In Germany most new jobs were created at Bertelsmann Distribution, AZ Direct Marketing and maubelser. At some German firms the number of employees dropped slightly, particularly in the offset printing and in the Book product line.	

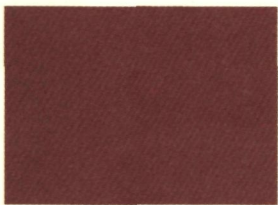
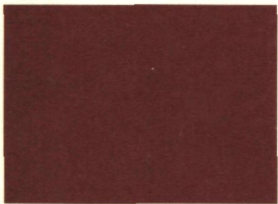
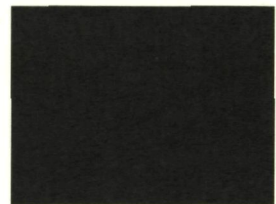
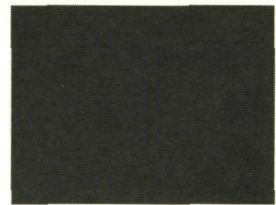
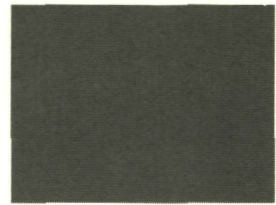
Table 6. Financial Data in million ECU

Table 6	Reed Elsevier (RE)			Bertelsmann			Fininvest		
	1993	1994	1995*	1993	1994	1995*	1993	1994	1995*
Turnover	3,585	3,912	4,693	8,867	9,575	10,761	6,391 (estimated)	5,955	5,725
Fixed assets	3,654	4,406	4,163	2,094	2,169	2,565			
Net assets	2,197	1,829	2,669	2,703	2,940	2,996			
Net profit	494	588	720	342	350	426		-41	221
Debt-equity ratio	41%	30%	38%	28%	29%	28%			

\* The exchange rate of 31 October 1996 is used instead of the year average of 1995 as zoals wel is gedaan bij 1993 en 1994.

	GBP	DEM	ITL
Year average ECU 1993	0,77999	1,93639	1841,23
Year average ECU 1994	0,77590	1,92370	1915,06
Echange rate 31-10-96	0,77750	1,91570	1927,35

The 1995 net profit of Fininvest in 1995 was boosted by the partial sale of Mediaset and the sale of the commercial and property activities of Euromercato, the hypermarket business. The operating result of Fininvest dropped with 45% in 1995 because of the unsatisfactory performance of Standa (retailing). Operating profits 1994 were 357 million ECU and in 1995 196 million ECU. At the end of 1995 the debt position of Fininvest was 1,029 million ECU. The expectation is that at the end of this year there will be no debt. Other figures of Fininvest were not available.



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