

The Money Men

ly regionals, will do well because the cost of fuel will be down. Autos should rebound because of lower steel costs and a pentup need for cars. Paint specialist Earl Scheib, an auto maintenance organization, is high on his approved list.

As a consumer spending play, Witter likes House of Fabrics and Minnesota Fabrics in the home fashion category; and Best Products and Service Merchandise, which sell hard goods at discounts from catalog showrooms.

He is also investing "heavily" in brokerage stocks. "We are changing from an era of collectibles to one of investi-

bles," he says. "And that is good for the stock market." Hereckons the brokers' stocks do not reflect the earnings potential of a sustained bull market. "We think we're in a bull market and the brokers are going to do very well for the next two to three years."

What else? High-technology stocks will come back into favor, Witter thinks. A rising stock market will let high-technology companies raise money by selling shares at relatively high price/earnings multiples and pay off burdensome bank debt.

Besides a handful of semiconductor and semiconductor capital equipment companies, "we're in four or five computer software companies. One is called Logicom, a systems integrator.

It puts together major military systems, and evaluates them for the government. They have done this for the Minute Man and the B-52. It's a sort of brain group that came out of TRW."

New issues are a different matter. "It is hard to find good new-issue stocks because a lot of the underwritings are overpriced. We don't usually purchase new issues. Whether those high P/E multiples set on new stocks are going to reward the investor is a good question. They certainly reward the company doing the financing and the investment banker." In a sense this is why Bill Witter went over to the buy side in the first place. He thinks he can better serve investors in buying stocks rather than in peddling them. ■

Profiles

John Johnson is one of the richest and most powerful businessmen in America, but he still can't quite believe it. Maybe that's why he keeps getting richer.

"It's a miracle"

By Jonathan Greenberg

JOHAN H. JOHNSON SAYS he learned early that "the name of the game is to survive with honor." Not a bad watchword for a career, or a life. But in Johnson's case, it has an extra twist. He is black—perhaps the richest and certainly the most powerful black businessman in the country.

At 64, Johnson is publisher and sole owner of *Ebony* magazine, the glossy monthly that is the nation's premier black publication, as well as the breezier *Jet*, two radio stations and a highly profitable cosmetics company. He is moving into television programming, and broadcast and cable TV.

Starting in the slums of Chicago, for a time on welfare, Johnson has put together a business empire that now grosses around \$100 million a year and probably has a net worth considerably in excess of that. Little wonder that he says: "I believe in miracles. I

believe my success is a miracle."

If so, Johnson made the miracle himself. At Du Sable High School on Chicago's South Side back in the depths of the Depression, he read Dale Carnegie's *How To Win Friends and Influence People* over and over. The book drummed an important lesson into his head: "Don't get mad, get smart." He went to work for black-owned Supreme Life Insurance Co. after finishing high school in 1936. By 1942 he had started his first magazine, *Negro Digest*, with \$500 his widowed mother, a housekeeper, borrowed against her new furniture.

Johnson used the money to mail out offers for discount charter subscriptions to Supreme Life's 20,000 policyholders and got back 3,000 responses, each with \$2 enclosed. To convince a distributor to take the magazine, he



Publishing magnate John H. Johnson
Don't get mad, get smart.

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got 30 fellow employees to ask for *Negro Digest* at newsstands along the South Side. He also reimbursed friends who bought up most of the copies, convincing dealers it was in demand. He took those and resold them. The ploy was repeated in Detroit, New York and Philadelphia. Within a year *Negro Digest* was selling 50,000 copies a month. In 1945 Johnson started the more popular *Ebony*, the first slick-paper magazine for blacks. With current circulation of 1.5 million *Ebony* reaches a total 6.5 million readers, Johnson figures. Add on 5.5 million readers for *Jet*, and it means that Johnson's magazines reach nearly half the U.S. adult black population. "You can't sell successfully to the black consumer market without me," he boasts.

Building on that franchise, Johnson branched out in 1974 into radio (stations WJPC in Chicago and WLOU in Louisville, Ky.) and in 1973 into Fashion Fair Cosmetics, a high-end cosmetic line for blacks sold only in department stores.

Fashion Fair was a classic example of demand searching for supply. For the past 25 years Johnson has sponsored the *Ebony* Fashion Fair, the world's largest touring fashion show. When he had trouble finding cosmetic shades dark enough for his models, he tried unsuccessfully to convince Estée Lauder and Revlon to produce some (both now do). So he started Fashion Fair, promoting it through direct mailings to *Ebony* and *Jet* subscribers. Its products are now sold by some 1,200 Fashion Fair salespeople in over 1,500 department stores in the U.S., Canada, the West Indies, Africa and Great Britain. Sales grew 16% this year, to over \$30 million. Margins: well above average in the high-margined cosmetics industry. Johnson's cost of product is 22%, vs. an industry average of 26%; and of course advertising in *Ebony* and *Jet* is at cost.

"I think Fashion Fair could be bigger than anything I own right now," says Johnson, enthusiastically. "Besides, it's given me a great sense of triumph. I not only proved that there's a market when they said there wasn't one, but so far the giants have not been able to shake my position."

With Johnson's power and affluence has come considerable political clout. Like many another rich man, he keeps it evenhanded. He rarely endorses candidates, although he has been consulted by every President in the last 20 years. He contributed substantial-

ly, for example, to the campaigns of both Republican Governor of Illinois Jim Thompson and Democratic Mayor Jane Byrne of Chicago this year. "I give to all the leading candidates because we want to survive under all of them," he says. The Reverend Jesse Jackson, himself a power among American blacks, praises Johnson lavishly as a "living legend."

Ebony, cornerstone of Johnson's empire, is shrewdly positioned to preach Johnson's message that blacks can make it just as he made it. It mixes self-improvement features on weight loss with stories about entertainers, athletes and successful professionals. Its readership is loyal. "I like to read about how blacks are climbing," says Cheryl Simon, a 20-year-old VDT keyboard operator in New York.

Johnson presides over editorial meetings, although he rarely writes for his magazines. To keep abreast of current events and generate story ideas, he speed-reads nearly 100 publications a month, including daily newspapers from large black cities like Birmingham, Atlanta and Detroit. He is also a director of Greyhound Corp.—"one of our most forceful," says Greyhound director and former CEO Gerald Trautman.

At Johnson Publishing Co.'s 11-story modern headquarters in downtown Chicago, Johnson's 350 employees, mostly women, all nonunion and nearly all black, function like an extended family. Top executives are rewarded with leased Cadillacs, first-class air travel and other perks. But Johnson can be demanding. "On days like this," an executive told a *FORBES* reporter, "if I see him in the elevator, I wait for the next one." The company has few high-level administrators—most serve dual functions—and the editorial staff is lean; fewer than a dozen people write and edit *Ebony*; only about 15% of the material comes from freelancers.

Johnson believes *Ebony*'s U.S. circulation will reach 2 million by 1985. In 1983, he will start French and Spanish versions for Third World countries. But these days broadcasting is his most rapidly expanding diversification. WJPC is the 11th-largest station in Chicago's 44-station radio market, and recently acquired WLOU is number two in Louisville. Johnson would like to buy a TV station and is one of a group of black Chicago businessmen bidding for a cable franchise there.

But the main thrust, he says, will be in programming, both for cable and



Johnson Publishing's Linda Johnson

"I don't see this as a burden, I see it as a challenge."

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broadcast television. His first show, the *Ebony/Jet Celebrity Showcase*, did well in regional tests and will appear nationally in March. Johnson plans to convert an entire floor in his headquarters to TV production. "I have no illusions about its being easy," he says. "But every field I've gone into, they told me I couldn't make it. So I'm not going to shy away from this one."

He will get it going, though, on a shoestring—as he always has. "I don't commit too much to anything," he says. "I can't afford to. I always feel a

little insecure. In fact, I think there is no such thing as security. There is no such thing as permanent success."

Such an attitude can make for a tenacious salesman. In fact, that is really how Johnson's success was built and is still maintained. For example, any advertising agency account executive who pulls an ad from *Ebony* or *Jet* may be in for a personal visit from a shocked and disbelieving Johnson himself, armed with fusillades of demographics and an exceedingly hard sell. "If we lose an account, it's up to me to get it back," he says. "If I can't sell better than anybody else, I don't deserve to be president."

What happens, though, when John H. Johnson is no longer on the scene? His successor was selected a long time ago: Linda Johnson, his 24-year-old daughter and only child. Now a vice president, she is a bit younger than Christie Hefner, with whom she is often compared. Is she intimidated by the prospect of taking over a family business currently representing larger private holdings than Hefner's own? "I don't see this as a burden," she says. "I see it as a challenge."

Would she ever sell at some point in the future? "Never," says Linda Johnson, firmly. "This is Johnson Publishing Co. And I am a Johnson." ■

The copper business is so awful that, paradoxically, there could be good times ahead for those producers still around.

The bad news bulls

By James Cook

AT 70 CENTS A POUND, producer prices for copper are at their lowest level since 1978—in real terms, at their

lowest level in 50 years. It costs Phelps Dodge, probably the U.S.' lowest-cost producer, over 80 cents to get a pound of copper out of the ground these days. At current prices, then,

virtually all the U.S. copper output is being sold below its full cost, and most of the rest of the world's as well.

The news is so relentlessly bad, in fact, that right about now copper executives ought to be feeling pretty good. In the past, in this notoriously cyclical game, a serious downturn has usually been followed by quick, strong improvement, with prices firming up in anticipation of stronger demand. But today, despite widespread hopes of better business tomorrow, copper prices remain weak. Despite production cutbacks, the overhanging supply on the Comex in New York and on the London Metal Exchange, though comfortably low, has even mounted a bit. That's bad enough. But there's also plenty of reason to believe that the rules of the copper game have changed profoundly and, most likely, permanently.

The biggest factor is the changed ownership of the copper industry. Thirty years ago virtually all of the mines and smelters were privately owned. No more. According to Simon Strauss, former vice chairman of Asarco and now a consultant, 40% of the world's capacity is now controlled by governments, primarily in the Third World. Another 35% is owned by noncopper companies, mainly oil companies. What used to be called copper companies now control 25%.

The government producers are not primarily interested in making money. They are more interested in jobs and foreign exchange, so in bad times they keep turning out copper no matter what happens to demand. It's the privately owned companies that have to make room. Thus, through August of this year, U.S. production fell 23%, but, despite cutbacks by private companies in Canada and elsewhere, production outside the U.S. rose 2%.

With generally lower-cost mines, the government producers, to an ex-

Losing ground

Copper's role in the U.S. economy has been declining at least since 1945. Over the past 37 years, when the U.S. GNP rose over 600%, U.S. refined copper consumption increased less than 30%.

