

Management

Continued from Page 1
zation in Eastern Europe, one could generally get in and acquire control of a radio station for under \$1 million, according to Metromedia International President/CEO Carl Brazell. Nowadays, you can expect to pay north of \$10 million, or — like the price Emmis International doled out for a national frequency in November — \$20 million.

Since only a handful of Eastern European countries allow 100% ownership by foreign broadcast companies, most stations are owned by consortiums, such as Hungaria Radio RT, which owns Budapest's "ShlagerRadio" (Emmis owns 54%, with the remainder divided among Credit Suisse First Boston and two Hungarian companies).

Metromedia bought majority ownership of Moscow's Radio 7 in 1994, partnering with telejournalist Vladimir Pozner. Clear Channel International obtained a controlling interest in Prague's Radio Bonton in 1997, joining hands with founder and Czech record/film/video executive Martin Kratochvil. Metromedia penetrated the Prague market in 1996, partnering first with former radio renegade Vladimir Vintř and his Radio 1, then, in February 1998, with Zdenek Petera, a former economist and founder of the No. 1 station, Country Radio.

In Budapest, Metromedia owns 100% of Radio Juventus, of which the company bought a controlling share in 1993.

Most of the stations divide management among Americans and natives as well. At Radio 7, the only American on the payroll is "General Director" (GD) Bud Stiker. Former KVET/Austin sales/news guy Paul Weyland runs Radio Bonton in conjunction with Czech Honza Zilvar. Radio Juventus has mostly American top brass — Managing Director Mike Lonke, Director/Sales Gaston Vadasz (a Budapest native, but a longtime American radio sales vet), and Operations Director Mark West — but the programming director is local Attila Varkonyi. Randy Bongarten, vice chairman of Hungaria Radio, is the only American at Shlager Radio; the managing director is Hungarian. Back in Prague, Radio 1 and Country Radio are still managed by Vintř and Petera, respectively, though they are advised by Hank Loeser, GD of Metromedia's Czech operations.

The American expatriates and the natives seem to mix very well. Most of the local staff speak English proficiently or fluently. Many of the American employees have an adequate or better understanding of the native tongues; some took classes before going over, while others receive language training overseas. Still others, like Vadasz and Loeser (who served in the Peace Corps in the Czech Republic and helped set up many of the country's private radio operations), are bilingual.

But the most significant obstacle when doing business in these countries is "dealing with the residue of 50 years of communism," as Weyland put it. He told R&R that since coming to Bonton in August, he has had to bring his staffers up to speed in "Radio 101." He says the typical sales speech before he came on-board went something like this: "I'm with Radio Bonton. Here's my package, and here's a 30% discount."

Loeser, who advises sales staffs throughout Metromedia's Eastern European operations, told R&R that he often has to turn "order-takers" into "go-getters." The Czechs, for example, are not gung-ho about getting in advertisers' faces, nor are they wild about working on commission.

They come from a system that took care of their every need for 70 years. In Moscow — where the job marketplace is so

miserable, Radio 7 has attracted former nuclear physicists, linguists, teachers, and even an ex-MiG pilot — the state is still fiercely protective of the worker. The government provides health and dental benefits, and it is virtually impossible to fire any employee after a three-month probationary period.

Das Kapital

So, how does an international operator make money once set up? The proportion of agency to direct sales varies from market to market. In Moscow, 65% is agency, while 35% is direct. There is a similar ratio in Vilnius, Lithuania, where two agencies — which also own several of the major frequencies — control 70% of advertising.

As it is in the U.S., retail is the largest sector of advertising in Russia. Banks and car dealers are the biggest up-and-comers in that category. A significant slice of business also comes from multinational clients like Nestlé.

In Hungary, where there are liberal licensing laws for ad agencies, 80%-85% of revenue is generated from agency business. Due to the country's size (about the same as Indiana), there is no need for a national rep firm. In Prague, however, where there are huge local sales staffs (20 personnel at Bonton, eight at Country Radio), national rep firms like Regie Radio — which also owns stations and a network — and MMS have a monopoly on national spot revenue.

The sales base in Prague has evolved from domination by multinational companies — such as Philips, Ericsson, and Siemens — to the emergence of retail advertisers.

In Moscow and Prague, stations sell spots (30 or 60 seconds) to advertisers. But in Budapest, time avails are measured by the second. Also in Hungary, rate cards are published, a truly foreign prospect to American salespeople.

All three markets have ratings services. In Moscow, Com Con measures a few thousand listeners per "book," surveying them with face-to-face interviews. Prague is one of the better-measured markets; its diary-based Media Projekt is very much like Arbitron, with quarter-hours, rolling six-month averages, etc. (One source told R&R that Arbitron has actually been "sniffing around" this market.) In Budapest, GFK does a telephone survey, while Gallup provides a diary-based service. These surveys recently began offering meaningful data like AQH and TSL.

Programming

When you first scan the dial in an Eastern European market, you get the feeling that life is a constant preparation for Friday night. Thumping club beats and hip-hop mixes (American artists such as Run-D.M.C. or native acts like Animal Cannibals) were the norm in March) blend seamlessly with commercials and public-service programming.

Some of the Eastern European stations that Americans have an interest in are strictly formatted as in the U.S., while others have more free-form programming that is roughly equivalent to college radio. Moscow's Radio 7 aims for the 18-34 demo, programming '60s-'90s music, with — to make the establishment happy — a couple of classical tracks per hour. There is a minute and a half of news per hour, and intermittent traffic reports.

Prague's Radio Bonton, which went from block programming to "all hits" last October, plays rock, CHR, AC, and dance/techno. One device inspired by America: "power plays" at the top of every hour.

Budapest's Radio Juventus can best be described as a Full Service station

Marcus

Continued from Page 1

ised to steer clear of what he knows so well: the cable business. He's never worked as a sales representative, announcer, programmer, or GM, and he claims no long pedigree in the radio business. But Marcus said that since early 1995, he has learned quite a bit about the business as a member of Chancellor's board of directors.

He watched the industry change drastically from the catbird seat as Chancellor acquired Shamrock Broadcasting. Later, as the Telecom Act opened the

for young adults. It plays AC, CHR, and oldies, and features sports and news programming. Its crosstown competitor, Shlager Radio, spins "the biggest hits of the '60s and '70s."

Radio 1 in Prague is among the most free-form of all commercial Eastern European stations. Loeser described the station's sound as "anarchic." The station's DJs are largely student volunteers, who are, for the most part, given free rein. They mix dance and alternative with poetry readings, native Czech songs, Brazilian dance music, classical, punk — whatever comes along.

The love of country music in the Czech Republic is rooted in the nation's tradition of "tramping," state-sponsored festivals from the communist era in which thousands of citizens gathered in the country and sat around campfires singing folk and country songs. Country Radio hence mixes country tunes with folk, bluegrass, oldies, and even some rock and jazz.

Promotion Competition

Undoubtedly one of the most valuable tools American broadcasters have brought to the former Soviet bloc countries is promotion, called "competition" in Czech.

Country Radio annually organizes a large music festival where awards are given out. Its sister station, Radio 1, sponsors many cultural events and benefits. For example, it held a contest for local bands; 50 winners were compiled on a CD that it circulated among the clubs.

Radio Bonton gave itself the slogan "Na Ply Kule," which, loosely translated, means "I'm Full Balls." The station also has a Chevy truck that it sends all over town.

In addition to its billboard campaign — which depicts a tomato with the word "blabla," referring to its chatty competitors — Radio Juventus has sponsored many volunteer events, such as a Special Olympics concert in 1996 and sports benefits. At the NAB show in Las Vegas last month, the station was honored for its community service with the International Broadcasting Excellence award.

Brazell said opportunities still exist for foreign investors who wish to get into Central and Eastern Europe, but the price of entry is much higher than it was when Metromedia came in in the early '90s. Metromedia EVP Bill Hogan told R&R there are several other considerations: First, the governments limit frequency allocations and foreign ownership; second, the economies are often too weak to support expansion in advertising; and third, there are no strong lobbying organizations like the NAB that would effect change in broadcasting systems.

Russia "is the only place where the window is wide open," Hogan said. The risk of political instability is particularly high, though. About a year ago, for instance, the Parliament almost voted to outlaw foreign ownership of political media — and nationalists still make those sorts of threats.

floodgates, he helped navigate the company through a slew of other deals, including the purchase of Colfax Communications. Asked to describe himself, Marcus said, "My major strength is as a leader, a consensus-builder, here to help create a culture." And although he is excited about creating new advertising avenues and markets, he hasn't forgotten who brought him to the dance: radio. He said Chancellor will remain first and foremost a radio company with complementary companies surrounding it. The company will continue to fill the holes in markets where it does not own its limit of radio stations, and it will look for opportunities to grow in new markets. "When we look at the expansion of Chancellor, we think that same-store sales are very important. We've got to look for more stores until we reach our limits in major markets."

That could be soon. So there is plenty of industry speculation that Chancellor — which is backed by the investment firm Hicks, Muse, Tate & Furst, the primary funding group behind middle- and small-market radio group Capstar Broadcasting Partners — could be talking more swap deals or even a major merger. But Marcus is quick to report that Chancellor has "no specific plans to merge with Capstar." He pointed out that just two weeks ago, Capstar announced plans to launch an IPO and intends to make shares of the company public soon. "Capstar will do its IPO, and we'll address this at some other time."

Instead, Marcus wants to expand Chancellor's other activities and acquire other companies. He said Hicks, Muse's involvement with LIN Television and other TV acquisitions will likely help Chancellor expand into the television arena. Whether Chancellor expands into program production remains to be seen, Marcus said, adding that network television affiliates appear to have the most appeal to his group. Another appealing vehicle is outdoor advertising. He is interested in acquiring "any outdoor advertising vehicle that can attract an advertiser. It's all about the message. We are open to any way to effectively get the message out for the advertiser."

He said Chancellor will have to "take the next logical step to expansion, as have CBS and Clear Channel, and we have to do what they have been able to accomplish." He wants to look "medium by medium" in expanding the company, and said he is not wed to any one mode, such as only bus shelters or only billboards, but wants to determine "if there is enough out there to grab, both domestically and internationally."

Chancellor will know no boundaries geographically, either, promised Marcus. He said as long as there are no artificial or political barriers to a corporation's international growth, he will take the company anywhere. He said Chancellor will likely follow the path of Hicks, Muse and explore Latin America.

"That area probably has to be the most appealing to our cousins at Hicks, Muse," acknowledged Marcus, who said he has a good working relationship with both Steve and Tom Hicks. When Tom Hicks announced Marcus' accession to the top of Chancellor, replacing the hastily departed Scott Ginsburg, he called Marcus "the ideal individual to guide Chancellor through the next stage of its development."

Asked about Marcus, Chancellor COO Jim de Castro said he likes the idea of reporting directly to Marcus: "He is a really good guy. He can stand up to the Hickses, and he can stand up on his own. He is his own man."

Marcus said Chancellor's radio operation is in good hands with de Castro, and that other chiefs will be rounded up to run Chancellor's new operations as they are created.

Marcus is a partner in a group of 17 major investors selling the Texas Rangers baseball team, and is also one of the larger partners in a group that includes the Hicks brothers, that is buying the team. He said his interest in the Rangers has no spillover benefit to the broadcasting business and will not lead to exclusive broadcast rights for that or any sports team.

Asked about long-rumored talks that Capstar or Chancellor is having merger talks with Jacor Communications, Marcus quickly pointed out that these are changing times in the radio industry and that "everybody talks to everybody." Beyond that, Marcus said he had nothing to say.



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