CREATING A NEW TELEVISION STATION IN THE GIVEN CONDITIONS IN HUNGARY TODAY

An attempt to analyse past, present and future of the television sector in the view of a preliminary analysis a newly established company would have to do
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INTRODUCTION

During the fall of 2004 I spent a semester in the United Kingdom for my internship. At our school in Hungary, I specialized in media management. As I spent 3 months in the UK, I noticed how different the media landscape was from the one in Hungary. The role of public television in the UK is very big, as well as there can be found different national commercial channels available to the wide public for free, that is without cable. In Hungary there are only two national commercial channels and three public service channels, and a question arose in my mind: why is that in Hungary a situation like this could happen? Even Sweden has more and has had more national channels than Hungary, though has less inhabitants. I spent four years of my life in Sweden, so I could make a comparison as a viewer of the three countries. I started to become interested in the Hungarian media landscape, especially television, and have decided to write my dissertation on the reasons and conditions it is today as it is. I also proposed an option of a new television channel starting in Hungary, and what things it would have to face. Of course, I had to look at the background in politics, law, other participants of the market, structure of the programmes that reflect the need of the Hungarian people, as a company interested in starting a new channel would have to do.

It is interesting to see where the media situation started from, as we have been centrally controlled over fifty years, and it is interesting to see what it became after the change in state.

In the future there will be more changes, as Hungary has become part of the European Union, and as digital television emerges, although it will take a few years to reach Hungary in my opinion.
This section is to understand the background of the situation a new television station would have to face today, if it wanted to enter the market.

1.1 The socialist era

I will not go back in the past for too long, but will start with 1974, when the censorship of all media was in full effect, through the Government Decree No. 1047/1974, where it was declared what the operating apparatus expected of the television and radio stations. The directors of both these institutions “…were nominated and appointed by the Agitation and Propaganda Committee of the Communist Party”. Usually, these posts were held by high-rank party officials; there was one central and two regional stations in television broadcasting. As everything else at that time, television and radio were in the hands of the ruling elite, the Communist Party, which means that these did not exist as some kind of participants of a free market as they do now, but as a device in the hands of power, to decide what people chose for their entertainment and to be used as a propaganda tool.

The change came in 1983, when local cable studios were allowed to produce and distribute their own TV programmes under the jurisdiction of the local party committees. These studios were already in existence; they were developed so that the transmission of the national TV and radio programmes could improve. With these changes, 19 local studios that have received this permission by 1986 could reach 150,000 households. This gave the freedom of producing, but had to be approved by the state – it still was an effective censorship. In spite of all these measurements, the government did not inhibit foreign transmissions. The logic behind this was that it did not want to have sole control over the programmes viewed in the country, but wanted to be the one to decide which ones to watch, achieving that mainly English language channels filtered through – very few Hungarians spoke English at the time, since the second language taught at school was Russian.

In 1987, transmission via satellites was allowed in Hungary, which was closely followed by the emergence of the video culture, thus giving place for many illegal activities, such as copying videotapes and the illegal importing of foreign films and programmes. The first attempt to create

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1 This section is based on Sükösd, M. (2003)
something within the law that would comprise all decrees and laws regarding the media
happened in 1986, when the Press Law was created. Until then there was no such thing, all these
regulations were spread out widely within the framework of the law.

1.2 The winds of change

At the end of the eighties, a there was a general political movement towards the ‘liberation of the
people’, including media in it. The Hungarian Socialist Workers Party felt that they were loosing
control, thus created an ‘approved opposition’ within the party, which was the Hungarian
Patriotic Front, with the leader Imre Pozsgay. This served to understand the thinking and
movements of the ‘enemy’. Pozsgay and others, including a group of lawyers, journalists and
researchers, created a paper called ‘Proposals on How to Reform the Press’, it was officially
published in 1988, but has been in circulation prior to that as a quasi-samizdat. It included such
important points as the abolishment of censorship and the monopoly of the communist party, and
were trying to create an open-market media scene, including commercial broadcasting; as well as
that an independent body should be formulated and drafted by an independent body. Of course,
the conservative wing of the HSWP was against all infiltrations of the centrally controlled
system, but they could not do anything as there was a liberal wing and all the underground
opposition to deal with. Adding on top of this, the media situation was only the result of a more
general change of winds, when the people were actively against their rule, and they had to deal
with that as well. Since they couldn’t concentrate on this only, and could not stop the infiltration
of new technologies, a kind of ‘cultural’ revolution started. Satellite television began to gain
ground, giving access to SKY, Super and TV5 satellite programmes. By 1988, 10% of the adult
population were watching these.

1.3 1988 and 1989

In the years 1988 and 1989, the government passed new resolutions that dealt with freedom of
the press and press publicity. Censorship as such was abolished, and the communist party
withdrew all control from the media, with the exemption of government newspapers. These were
due to the changes witnessed before. In 1989 the process of change in the political sphere started
with the Round Table discussions. New parties emerged before this, and they started processes
and discussions with the HSWP about the changes needed in the system. In essence, this was
what brought the change in the system in effect, when Hungary became a democracy.
Part of the Round Table Discussions were the situation of the media. The participants worked out “…principles of impartiality which, in summary, prescribed that the Hungarian Press Agency, the Hungarian Television and the Hungarian Radio

- Give an impartial picture of the ongoing political events as well as of the socio-economic reality;
- Provide equal and equivalent representation of the views of the various political forces.”

There was an agreement on that there should be a supervising body that ensures that all these principles are adhered to. They failed to appoint it however, so Pozsgay – who was still a representative of the communist party – proceeded in appointing a multi-party body to take this role. The Alliance of Young Democrats and the Alliance of Free Democrats withdrew their support at the last minute, arguing that they wanted to have an impartial body to function as such. This meant that again, the communist party won a battle for the media, as their representatives were present in this body.

The freedom of the press meant that all reporters could and should report impartially on political events as said before. People were ready to criticize, as they were very satisfied with their newly gained ‘freedom’ and were thus very critical with the new styles of reporting. In the case of the National Television, it had a monopoly over the appropriation of broadcasting frequencies, and to avoid this being a kind of power, the Association of Journalists appealed to the National Round Table that a moratorium on frequencies should be effected, until a new media law was created.

1.4 Media act, the beginning

The first form of a media law came with the paper entitled ‘Proposals on how to Reform the Press”. This was discussed by the professional organisations in 1989 and was later submitted to the new Parliament for approval with modifications. It was the first attempt to give a legal framework for the freedom of the press, providing operational and functional directives for the national broadcasting services such as radio and television, and included the rights and obligations of owners, journalists and editors. Later however, the two were separated, and the media law as we know now, refers only to the audio-visual sector.

1.5 The media bills

The first draft of the bill was presented in November 1991 at the parliament, and was prepared by the National Institution of Television. It was supposed to be passed in March 1992, but was still in discussion at the end of the year. “The draft bill defined freedom of the press in accordance with the Constitution, the Agreement of the Council of Europe on Television Broadcasting and the European Agreement on Human Rights.”

The draft bill included the following about public broadcasting:

- “…the national Radio and Television are set up as public foundations, each with a president assigned by an eleven-member board of trustees, of whom three from the governing party, three from the opposition and the rest elected by the first six.
- …the objectivity and impartiality of public broadcasting is regulated and evaluated by an advisory board of thirty members, where the ration of politicians to independent advisors should be elected among representatives of ethnic minorities, cultural organisations, trade-unions and other associations.”

The media bill included prescriptions about the commercial television and radio networks, this means that finally there would be other than state controlled audio-visual media in Hungary. This stated the following:

- commercial television networks “…may enjoy more flexibility in terms of their percentage allocation of Hungarian and European productions;
- that licence authorisation applies for six years in the case of radio and for ten years in the case of television;
- that the same operator cannot have more than one radio station or television chain;
- that an operator operating nationally may obtain authorisation for only one regional or two non-neighbouring local stations;
- that an operator can obtain authorisation for six local stations if these are not neighbouring;
- that a majority operator in national or regional radio or television station or in six local stations can command no more than 25 percent of shares in the different enterprises”

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2 TELEVISION MARKETS OF THE SURROUNDING COUNTRIES

As it was written before the media markets of Europe were developed differently. Among a lot of little differences there are two huge ones and they are separated geographically and politically. There was Western Europe with its capitalist countries and democracies. In the other hand there was the Soviet bloc with socialist countries and dictatorships. In these countries everything was under control by the Communist Parties. That is why there were only public televisions and no commercial ones, since there could not be anything in the hands of the people.

After the changing of regimes many commercial television stations appear in all of these Eastern and Central European countries, however, people had to wait 5 years for the first nationwide commercial television broadcaster. It was the TV NOVA in Czech Republic in 1994.

To understand more deeply the Hungarian audiovisual media market and especially the television let us see what happened in some of the surrounding countries after the collapse of the Soviet bloc. It is worth to examine countries that are historically, politically, geographically, and economically similar to each other and Hungary. Czech Republic, Slovakia, and Poland are countries like these and with Hungary they are the so-called “Fours of Visegrad”. All of them joined the European Union last year.

2.1 Czech Republic

Czech Republic was the first country in the former Soviet bloc where a commercial nationwide television channel started to operate in 1994. In a short time it reached more than 50 per cent share. This fact shows clearly how high was the expectation and how big was the need for a nationwide commercial television channel.

The second commercial nationwide television channel is Prima TV. About 10 per cent of the viewers choose this channel. This channel has an important role in the market, since it provides five hours of spot times to regional and local television channels to broadcast their own licenses in the time of these hours. It is important for the development of the market.

There are over 11 regional television stations and over 40 local television stations in Czech Republic. The country has more than 70 cable television operators and besides these it has 9 satellite television operators.

6 http://www.mediakutato.hu/cikk/2001_01_tavasz/08_a_lengyel_media_atalakulasa/01.html
There are two nationwide commercial television channels in Czech Republic and the public television broadcaster also has two channels. These two public channels attract about 30-35 per cent of the audience.

2.2 Slovakia

In Slovakia there is also a nationwide public television station with two channels and two big commercial nationwide television channels. Although the smaller one, called Joy, has a low coverage (about 65 per cent), it is hard to say that it is nationwide, and there is a news channel, called TE3, what is quite unique in such a small country. TE3 broadcasts programs like CNN or other famous news channel broadcasting worldwide.

The first nationwide commercial television channel has been broadcasting since 1996. It is the Markiza. It was the one and only nationwide commercial channel until the Joy started its operation in 2002. So Markiza had time to substantiate its popularity and it had about 50-55 per cent of the television viewers in 2003. At the same time The Slovakian public television was at the second place with its 15-16 per cent, and the Joy was on third. It attracted only 5-6 per cent of the audience. Czech private television TV NOVA attracted 4-5 per cent of the viewers, while the Hungarian RTL KLUB 3-4 per cent. The popularity of these television channels is related to the Czech and Hungarian minorities living in Slovakia.

The country had 77 regional or local television operators in 2002 broadcasting via cable.
2.3 Poland

In Poland there are three public channels. Public television operates two public channels and there is a satellite channel that broadcasts abroad, called Polonia TV. In 1999 the two public channels had a share about 46 per cent. This is the biggest one in these four countries.

The country has only one nationwide commercial television channel. This is the POLSAT, which had 22 percent share in 1999. The two public channels and the POLSAT own more than two-third of the advertisement market.

There are other quite big television channels like the TVN or RTL7, which is a coded channel, but these are not nationwide.

To sum up the substance in all of these countries there are two public channels and one or two nationwide commercial channels. Opening of the audiovisual market caused big headache for public televisions. The share of the public channels decreased and so did the income. Only in Poland the most popular channel are the public channels. Which is the better? Only time and the society will know it.
3 THE MARKET OF TELEVISION

Television is a part of the mass media today, and is a very powerful instrument in forming the mass opinion and as a tool for companies to get to their target market through commercials. It is globalising, as new technologies make it possible to reach all parts of the world, jumping borders and even continents.

There are different ways to broadcast. The first one is the traditional one, through radio waves on the surface of the Earth. This is how it began, but due to geological obstacles, it can only reach so many viewers, depending on the conditions. As technology advanced, and mankind invaded space, the satellite gained ground and became part of television transmission, making globalization bigger. The third type is through cable and the last one, which is a new technique for us in Eastern Europe, but is a widely used one in the west, is digital TV. It is important to distinguish between these, as we will see shortly.

3.1 Products, participants and prices

What is the product on the market of television? It depends on the type of broadcasting. Let us see each in turn. In the case of the traditional broadcasting we could say that all programmes that can be received in a given area are the product. When we talk about the other three, these are not available unless the given household purchases a right to watch them, and get the appropriate devices to receive them. The programmes are usually sold as a package, so no single programme can be called the product, but rather the bundle of them. It has been now widely available in the west to buy just one number off the programme, such as pay per view films, where you pay for one film you want to see on your TV. In this case the number itself would be the product.

Who are the participants of this market? The participants are the viewers, the broadcasters of television programmes and the advertising companies. Of course there are others as well, but they are insignificant in this discussion. The viewers are the buyers of the programmes and buyers of the products advertised. The broadcasters are sellers, they sell their advertising time to advertising companies, as well as their programmes to viewers. Advertising companies are buyers, they buy advertising time. There is only one exception to this, when broadcasting companies purchase other communication channels where they can advertise their own programmes, other than television. In this case they are the buyers and the advertising companies
are the sellers. In this picture, I omitted one participant, which is the state. They play not an active role, but a controlling one. It is stated in the law how many percent of the programme a broadcasting company can dedicate for advertisements, what they can and cannot show on different times of the day, etc. I will go into more detail later in this paper.

**Prices** on this market are set by the market forces. Of course, I am only talking about the markets in the ‘Western world’, which’s level, the Eastern European countries have reached by now.

### 3.2 A few words on the history of development of the television market

As the first television broadcasts were on radio waves, they naturally became modeled on the radio system of the given country or area. There was a great difference between the system of the United States of America and the European countries. In the USA, there was an already existing market of the radio, and the television as such just entered this market, thus the two becoming the main characters or ‘oligopolies’ of the market. Whereas in the European countries, with central governments, these media were taken over by the political forces, leaving no chance of market forces to have an effect on them.

In the USA, the change in the framework of the television market came about with the introduction of the satellite and cable systems. This made it possible to multiply the programmes that could be delivered to the households nationwide, and from here the market expanding effect of technological development could take over.

In the European countries, this took place in three different ways. In the bigger, Western European markets (France, Italy and Germany), new companies entered the market, either using the satellites or using the cable systems. In the small countries (Denmark, Belgium and the Netherlands) they used the already existing cable systems, to ‘import’ programmes from abroad, thereby widening the supply. The same thing happened in the Central and Eastern European countries, at the end of the eighties and beginning of the nineties.

### 3.3 Different models of the television market

Before the technological advances, these markets were very closed markets, with a few participants. Afterwards, the markets opened and had more and more participants, which led to the specialization of television stations, such as National Geographic or Cartoon Network, just to mention a few examples. Based on these facts, keeping in mind the number of participants of the
markets and the financing of the programmes, different market models could be grouped in the following way:

- Classical trade model: free television for the viewer, private ownership of the broadcasting companies, a market structure of oligopoly, strong state intervention;
- State/Public model: an obligatory subscription fee that has to be paid by the viewer, and the amount is set centrally, monopoly, a broadcasting company that is state owned or is run by a special public body;
- Dual model: a mixture of the classic commercial model and the State/Public model, a market structure of an oligopoly;
- Multi-channel model: many participants in the market, using new broadcasting technologies, alongside of the traditional ones, stations with general programme supply as well as specialized stations, the gaining ground of pay-TV, the extension of international television, globalizing tendencies on the market, the state intervention getting weaker

3.4 Television market in Hungary in regard of participants

The broadcasting market can be divided into different parts, depending whether it is a commercial station or a public one, a local, regional or a national one, or whether it is broadcast on a terrestrial, cable or satellite system. In Hungary, the following categories exist, and the stations in each are as follows:

\[\text{Mediafigyelo p:23}\]
I. Local commercial television
   • Kapos Televizio
   • Pecs TV
   • Szombathelyi Televizio

II. Commercial cable television
   • Animal Planet
   • Budapest Televizio
   • Csepp TV
   • Discovery Channel
   • Discovery Civilisation
   • Discovery Sci-Trek
   • Discovery Travel&Adventure
   • Eurosport
   • Filmmuzeum
   • Fonix TV
   • Fox Kids
   • Hallmark Channel
   • Minimax
   • National Geographic Channel
   • Nickelodeon
   • PAX TV
   • PB TV
   • Reality TV
   • Romantica
   • SaTeLIT Televizio
   • Spektrum TV
   • Travel Channel
   • Viva
   • Zenit TV

III. Regional commercial television
   • Alfa TV
   • BKTV
   • City TV
   • Erzsebetvarosi Televizio
   • Hunyadi TV Studioja
   • Obuda Televizio
   • Smirgli Kulturalis
   • Egyesulet Kozossegi Kabel TV

IV. Regional public programme provider
   • Fix.tv

V. Public programme provider
   • Magyar ATV

VI. Satellite commercial television
   • Hir TV

VII. Satellite public television
   • Duna Televizio
   • m2

VIII. National commercial television
   • RTL Klub
   • TV2

IX. National public television
   • m1

X. Pay TV
   • HBO
   • Sport1

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8 http://www.hullamvadasz.hu/index.php3?fotip=1&tip=78
9 http://www.hullamvadasz.hu/index.php3?fotip=1&tip=58
10 http://www.hullamvadasz.hu/index.php3?fotip=1&tip=60
12 http://www.hullamvadasz.hu/index.php3?fotip=1&tip=82
15 http://www.hullamvadasz.hu/index.php3?fotip=1&tip=64
16 http://www.hullamvadasz.hu/index.php3?fotip=1&tip=65
4 THE BUSINESS PLAN OF THE NEW TELEVISION STATION

Before a business even starts to exist, the future company needs to do a PEST analysis. It is analysing the environment of the future company, namely the (P) political, (E) economical, (S) social and (T) technological circumstances. It also needs to make a business plan. An outline of it is the following:

1. Table of Content
2. General Company Description
   a. Data of the founding entrepreneurs
   b. Active investors and very important employees
   c. Location
3. Products and/or Services
4. Management and Organisation
5. Marketing Plan
   a. In general (about the market)
   b. Target market
   c. Market analysis
6. Operational Plan
7. Capitalization and Structure
8. Financial Plan
9. Executive of Contents
10. Attachments

In the case of this paper, the most important part that needs addressing is the (5) Marketing plan. Let us see the different parts of it in detail.

In general (about the market)

The company would need to see the value of the market; that is whether it is a growing, stagnating or diminishing one. It also needs to define the target market.

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18 Anwar: A vallakozas tervezese pp 63-64.
Target market

The company needs to do a SWOT analysis within the target market. It means that it needs to address issues such as (S) strengths, (W) weaknesses, (O) opportunities and (T) threats. It needs to know the solvency of that segment of the future market that needs its service or product. It has to take into account what kind of competition it will have to face, needs to analyse its strengths and weaknesses. The company has to consider what steps it would have to take to overcome its competition, and has to identify the expected market position of the service or product (in quality, price, etc.). It also has to define the expected market share and the expected market growth.

Market analysis

The market analysis in our case would include the structure of the programmes of the television stations in Hungary, as these clearly indicate the expectations and needs of the public. The company would also need to know viewer numbers of the other channels, to be able to make a reasonable estimate as to how many viewers it would have in different conditions, to be able to present to companies that would advertise on that channel in the future. It would also have to know how much time people spend on watching commercials on television, to be able to say how effectively commercials reach their target markets.
5 THE MEDIA ACT

The Hungarian Media Act does not have roots that go back far in time, due to historical circumstances. The law we know today and call as the media act is the first law of the year 1996.

The chapters of the media law are as follows:
I. General Provisions

II. Principles and Regulations of Broadcasting
   A. General Principles and Regulations
      1. Title: Principles
      2. Title: Certain Requirements Regarding the structure of the programme
      3. Title: Coverage of a Public Event
      4. Title: Restrictions and Prohibitions of Advertisements
      5. Title: Subsidized Programmes
      6. Title: Complementary Broadcasting and Value Added Services
   B. Public Broadcasting, Principles and Regulations of Public Broadcasting
      1. Title: General Regulations
      2. Title: Common Regulations Regarding a Public Broadcaster and a Public Programme Broadcaster
      3. Title: Separate Regulations Regarding Public Broadcasting
      4. Title: Regulations of Public Broadcasting and Programme Services

III. National Radio and Television Commission
    1. Title: The Organisation and Status of the National Radio and Television Commission
    2. Title: Election of the Syndicate
    3. Title: Conflict of Interests
    4. Title: Obligations of the Members of the Syndicate
    5. Title: The Termination of Duties of the Members of the Syndicate
    6. Title: Remuneration of the Members of the Syndicate
    7. Title: Operation of the Syndicate
    8. Title: The Duties of the Syndicate
    9. Title: Syndicate Report
    10. Title: The Regulations of Decision Making
    11. Title: The Complaint Committee
12. Title: Relationship Between the Syndicate and the Communications Authority

IV. Public Broadcasters

1. Title: Public Foundations
   . Boards of Trustees
   . Jurisdiction and Scope of Duties of the Board of Trustees and the Presidency
   . Financial Management of the Public Foundation
   . Operation of the Board of Trustees and the Presidency
   . Auditing Body of the Public Foundation
   . Remuneration of the Board of Trustees and the Members of the Auditing Committee

2. Title: The Hungarian Radio PLC, the Hungarian Television PLC and the Duna Television PLC
   . The Scope of Authority of the General Assembly
   . The Supervisory Board of the Public Limited Company
   . The Auditor of the Public Limited Company
   . Financial Management of the Public Limited Company

V. System of Assistance of Broadcasting

1. Title: The Broadcasting Fund
2. Title: The Fee of Upkeep

VI. Broadcasting Eligibility

1. Title: General Provisions
2. Title: The Essential Content of the Broadcasting Contract
3. Title: General Conditions of Tenders
   . The Layout of the General Tender Conditions and the Public Hearing
4. Title: The Call for Tenders
   . The Contents of the Tender
   . The Assessment of the Tender
   . The Conclusion of the Broadcasting Contract
5. Title: Designation of Frequencies
6. Title: Conditions of Operation
7. Title: Duration of Entitlement
8. Title: Consentment to Connecting to the Network
9. Title: Change in the Ownership Structure and Other Data of the Broadcaster
10. Title: Changing the Frequency
11. Title: Amendments to the Contract
12. Title: Breach of the Law or the Contract
13. Title: Provision of Programme Through Cable or Satellite
14. Title: Temporary Provision of Programme

VII. Broadcasting and Broadcasting Distribution through a Broadcasting Distribution System

VIII. Rules Regarding Ownership

IX. Invitation to Tender Certain Broadcasting Eligibilities

X. Other Provisions
   1. Title: Fines
   2. Title: Applications of the Proceedings of Public Administration
   3. Title: Exceptional Situations
   4. Title: Parliamentary Coverage

XI. Closing Provisions
   1. Title: Coming Into Force
   2. Title: Generation of the Body and the Public Funds
   3. Title: Founding of the Hungarian Radio PLC and Hungarian Television PLC
   4. Title: Miscellaneous Provisions
   5. Title: Corrective Provisions
   6. Title: Repealed Provisions
      . Supplement to the 1996 no. I. law

As can be seen, the Media Law is a concise system of rules and regulations regarding audio-visual media. If a new television station were to be introduced in Hungary, the company that wanted to do so, would have to have a thorough look through the law, as it sets precise rules. I will elaborate on those sections that are most relevant in our case.
In the 21st Century globalisation and cross-culturisation is an inevitable process. The world is becoming more and more homogeneous, and as a result of that, distinctions between national markets are fading and for some products are disappearing. Marketing has become something that involves the entire world, or at least may do so in some cases. But because of globalisation, people are becoming more conscious of the differences between regions, ethnic groups and nations in terms of cultural factors. This means that markets today might be at the same time global but the more global, the more culture conscious they are, and companies are not to forget that. It is a key issue to realise if they want to succeed.

International marketing involves all the aspects of marketing, and on top of that, the different aspects of cross-cultural communication. Today, many companies become international or multi-national enterprises, and this means that they have to develop different strategies for each country they are in. They need to take into consideration all cultural and linguistic differences when entering a new market.

International marketing exists as a concept since companies began to go over the borders of countries, that is when they became multi-national. In the case of Hungarian companies this happened in the beginning of the 90’s, when the country turned from being a centrally planned economy with very strict orders of what to produce and who to sell to, into a market forces driven democracy, and the laws on import and export have become more helpful to a growing economy.

Having global markets are not new to company market managers. It is however a challenging issue to deal with especially when it comes to dealing with different cultures. The following list of different problems is but a guideline, and only some of them will be addressed in this essay: „(1) culture impacts on marketing (international versus domestic); (2) cross-cultural dimensions of marketing research; (3) cross-cultural aspects of marketing mix (products, price, promotion, and distribution; (4) cross-cultural marketing education and professional training; (5) cross-cultural practice in electronic marketing“19.

19 http://www.tutor2u.net/business/marketing/promotion_sales_promotion.asp
When dealing with different cultures, there are certain mistakes an international marketer should avoid. The company needs to be able to understand, recognise, and respect another culture and difference; it should be neutral when discussing a certain culture, because there is no better or worse when it comes to cultural aspects, only the difference that matters and the way of dealing with it and incorporating it into the company’s views; realise that not all things work the same way in different cultures, because they are different. This means that they might react differently to the same commercial for example. And lastly, it is crucial that they have staff who has a good knowledge of the culture they want to penetrate, and take their opinions and advice seriously, even if it might sound ridiculous.

6.1 Explanation of terms

The difference between a multinational and international company is that the international company produces in one country, but sells the products in other countries, whereas multinational companies produce and sell in all or most of the countries they are in. This distinction is crucial from a marketing point of view, as international companies may not have a marketing department in the destination country. In this case they need to make sure that the marketing manager dealing with the particular country is familiar with its customs, culture and language. Below the line marketing is virtually impossible for these enterprises, unless they have a special representative travelling around the area of sales. Multinational companies on the other hand have the opportunity to recruit a marketing manager specific for that country or region, who comes from and has the same background as potential customers, thus can enhance sales by showing expertise in dealing with that particular culture.

Below the line marketing is: „An activity designed to boost the sales of a product or service. It may include an advertising campaign, increased PR activity, a free-sample campaign, offering free gifts or trading stamps, arranging demonstrations or exhibitions, setting up competitions with attractive prizes, temporary price reductions, door-to-door calling, telemarketing, personal letters on other methods”20

„Cross-cultural marketing is defined as the strategic process of marketing among consumers whose culture differs from that of the marketer's own culture at least in one of the fundamental cultural aspects, such as language, religion, social norms and values, education, and the living

20 http://www.tutor2u.net/business/marketing/promotion_sales_promotion.asp
Marketers should be sensitive and aware of cultural differences, as well as to respect the right to culture by the people of the markets.

### 6.2 The marketing mix

The marketing mix consists of the 4 p’s, that is, price, place, product and promotion. Let us look into these with more detail.

#### 6.2.1 Price

The price the company sets for a particular product needs to adapt to the particular market. It needs to be within the same price range as other similar products are in, unless it is a unique product. Otherwise the selected target group will not buy it, because there are other similar products that can be bought cheaper. The different aspects of pricing include: "(1) pricing strategy (skim, penetration, etc.), (2) suggested retail price, (3) volume discounts and wholesale pricing, (4) cash and early payment discounts, (5) seasonal pricing, (6) bundling, (7) price flexibility and (8) price discrimination." There is a typical problem that can be best shown through an example. With Hungary joining the European Union, no company can be the sole dealer of a certain product anymore. This means that if someone can find the same product in another country for a lower price, it can import it without any restrictions. It can cause huge income problems for the previously sole dealers. The other dilemma is, that those units of the brand’s portfolio that can be found in another country may also be imported to Hungary (in our example) and thus may present a competition to the products present on the market (although they are manufactured and introduced on the other country’s market by the same multi or international company), and may put a strain on the dealer’s trade on that market. This means that the marketing departments in the different countries need to pay attention to the harmonisation of prices of their products.

#### 6.2.2 Place

The aspects of place are: "(1) distribution channels, (2) market coverage (inclusive, selective, or exclusive distribution), (3) specific channel members, (4) inventory management, (5) warehousing, (6) distribution centers, (7) order processing, (8) transportation and (9) reverse logistics." In cross cultural marketing, when thinking about the place of distribution, it is important for the company to know the buying customs of a certain cultures. In some societies, buying from little shops is still more popular than visiting a supermarket, because it makes the

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people feel more at home if they know the staff who serves them behind the counter. In Hungary and Eastern Europe, the changes in buying culture are accelerating faster than in Western Europe, which means that companies need to make sure that their products are available at the types of stores the members of these societies go to. Hypermarkets and supermarkets in Eastern Europe have only emerged in the past one and a half decade, but have almost completely taken over the role of little „family shops”. People would rather shop in stores where they can buy anything and everything, than go to more small shops, because it saves them both time and money.

6.2.3 Product – in the case of multi and international companies, the product line itself is not the question. In different countries, with different people, the specific product is that counts. The aspects are: „(1) brand name, (2) functionality, (3) styling, (4) quality, (5) safety, (6) packaging, (7) repairs and support, (8) warranty and (9) accessories and services.”

In the case of shampoos for example, different ones are sold in Europe than in Africa. Different hairtypes are to be taken into account when designing products for the specific market. Packaging and naming of the product is also a key issue. Colors are crucial. In some cultures, white means clean or virginal, in others it means death, so the company needs to know exactly where it’s going, and make the necessary changes for that specific culture. Choosing an appropriate brand name is also essential. It should be easily remembered and associated with the product, and should be an easily pronounceable word or phrase. It should by no means have any negative connotations on the given language. All these before mentioned aspects of the product should be specifically tailored to the given country’s language and culture.

6.2.4 Promotion – promotion is the marketing communication, that is how information on the product or the product itself reaches its target. The different aspects are: „(1) promotional strategy (push, pull, etc.), (2) advertising, (3) personal selling & sales force, (4) sales promotions, (5) public relations & publicity and (6) marketing communications budget.” The company needs to know about the buying habits of the given culture. In the United States for example, giving out coupons will encourage sales, because that exists in their culture, whereas in Hungary they would not be such a big a hit, because it is not in the culture. Unless this trend changes, it would not pay off to invest money in coupons. The language of the advertisements is also important. The company needs to make sure that it knows the cultural language of the country. In

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24 http://www.netmba.com/marketing/mix/
25 http://www.netmba.com/marketing/mix/
Hungary for example, some people may find it offending if the advertisements „talk” to them in a casual way, because it suggests disrespect.

As we could see, adapting the 4 p’s to a given market is a key issue in successful sales and market growth. A multinational company has the benefits of being in the country and being able to employ the local workforce to aid its adaptation to the market in that country. An international company on the other hand has to make sure that it has enough knowledge of the country they want to enter, so that not to make any mistakes that may offend their target market. Such big companies of both types are usually well established, known enterprises, with a name and usually good reputation. They have a central company mission, marketing strategy, customer related policies, etc. They need to find appropriate way to approach its customers in their culture and language, but retain their own beliefs and make sure that these messages make their way to their buyers. There are two ways in which they can do this. One is, where they already have an established product line with a reputation abroad – these may have been seen by those who travel or have been abroad. In this case they just enter the new market, with the necessary changes made. The other way is when these companies buy already existing local product lines, but change it in some aspects so that it becomes consistent with the company’s mission and statements. In Hungary, when it became a democracy and foreign companies were allowed to invest and enter the country, some of the oldest Hungarian brands were bought by big multinational companies. The packaging changed, the company’s logo was put on it, and the advertisements and promotion increased. In other cases, they tried to change the product, but the people would not buy it, because they liked the old brand, and felt a bit resentful against these companies coming to Hungary and changing their old products. In these cases the company should have made an effort to understand the Hungarian people’s way of thinking and their opinions about certain things, with the kind of history they had. They failed to recognise the fact that Eastern Europeans are different from Western Europeans, because they have not had the same history since WW1, and at least 3 generations have been brought up under a communist regime, where state monopoly and not much variety and option of choice in products were the forces that ruled consumers.
6.3 What should a company consider when entering a new market in a new country?

The social structure of a given culture plays an important role in buying decisions of individuals. In Italy for example, the family plays a vital role, so any kind of advertisement of a product that goes against that with no harm meant, would result in loss of sales, as the people would be offended in their beliefs.

Understanding ethnic background and class distinctions are also play a vital role in societies and cultures. It is important that the company wanting to enter a new culture’s market knows where its people are coming from in an ethnical sense. In Great Britain for example, a big part of the population are first and second generation Indians, who if Buddhist, do not eat beef. If a company wanting to reach its target group that consists of both beef-eaters and non-beef-eaters, it needs to provide an alternative to both groups – if we are talking about hamburgers for example.

This brings us to the question of religion. The company does not only need to know the main religion of the country it wishes to enter, but has to be familiar with how the citizens relate to it. In the Islamic countries, people are strongly attached to their religion, it is in their everyday life. A lingerie producing company could not advertise its products with women wearing only them on huge billboards on the streets, because it would be banned from the country immediately. Although Islamic women do dress up, and may buy such clothing items, the company needs to find different ways to reach its customers – that are different from those of the western world.

History and geography of a country are two important things that have an impact on the people’s culture. Some countries have an ongoing rivalry between them, or a history of continuous wars and conflicts and these should not be forgotten when entering a market. Romanians for example do not like Hungarians and a part of Hungarians think that Transylvania should be part of Hungary again, so any kind of reference in any way to this conflict in either of both countries would cause resentment towards that country. As to geography, of course depending on where the country is and what weather and geographical conditions it has, has an impact on the products that can be introduced, and the 4 p’s as well. In Italy for example, because the day is so hot in the early afternoon, they have siesta in the middle of the day.
Advertising during that time may pay off better than advertising in the evening, because people are at home, having a rest from the day’s heat.

**Regional differences** within a country play a vital role in choosing the marketing mix. It is not only borders that define a country’s culture, but regions as well, that may stretch over borders. In the south of Sweden, the way people pronounce Swedish is more similar to Danish than the rest of the country, and it is not easy to understand for people from Stockholm for example. In the case of national advertisements, the company needs to choose someone who speaks Swedish close to those in Stockholm, because it is understood by everyone, but cannot choose someone with a southern accent.

**Education** in a given country may have an impact on the marketing mix as well. In Hungary for example, before the change in political power, the second language people studied was Russian. Although it is a growing segment of the market, but still not enough people speak English well enough, or at all. Therefore, when choosing a name for an existing product that is to be launched in this new market, the company needs to make a research on how the people would pronounce the already existing name, or which alternative they would find better suiting the product as it has linguistic aspects as well. Since the name needs to be easily pronounced, it cannot evoke the effect of not being well educated if someone cannot pronounce the „th” sound if it is in the name.

**Deep culture** is the beliefs, values, assumptions, priorities and superstitions of a culture. Knowing these can earn extra points in sales, especially because these are the things that make up the people who are in the target market. It makes them feel better if their deep culture is valued, and if a company shows a good understanding of these, they gain trust sooner as well as admiration that they have this information and use it as well. In Brazil for example, although people are of a Christian religion, the old African tribal beliefs are still deeply rooted in their lives, especially in the north of Brazil. Part of this is when they tell the future by throwing a special sort of clams on the ground. If these are seen anywhere, people associate it with fortune telling and luck, so using it in an inappropriate way in advertisements may have disastrous effects.

Taking **politics** and **popular culture** into account can also be crucial. A company should be careful not to be associated with a certain political group or something that people of that country have an obsessive view on, by making a mistake. For example, generally in the western world, red is associated with socialism. In Eastern European countries, a red star used or still is the
symbol of communism, and people will not take lightly when seeing something of that sort. In Hungary, those people who drink beer almost always notice the red star that is on the Heineken beer bottles or glasses, and make smart remarks on it. In this case, it is not dangerous, as people know that it has possibly no meaning to it, but someplace else, a similar similarity may cause big problems.  

A very good example of cultural awareness is HSBC. Their slogan is „The world’s local bank“\textsuperscript{27}. In their advertisements they stress that they know of cultural differences and that they pay attention to them, valuing these small but important meanings to a society.

When defining the 4 p and taking the before mentioned aspects into account, a company is really doing it’s SWOT analysis. Strengths, weaknesses, Opportunities and Threats of a new market. It should always analyse its target market before entering, especially thinking of cultural aspects, and what influence it has on the consumers buying behaviour.

„From the anthropological perspective all market behaviours are culture-bound. Both consumer behaviour and business practices are performed to a large extent by the culture within which they take place. Therefore, in order to match the marketing mix with consumer preferences, purchasing behaviour, and product-use patterns in a potential market, marketers must have a thorough understanding of the cultural environment of that market, i.e., marketing cross-culturally. However, this is by no means to suggest that in the 21st century all marketers should focus on cultural differences only to adjust marketing programs to make them accepted by the consumers in various markets. In contrast, it is suggested that successful marketers should also seek out cultural similarities, in order to identify opportunities to implement a modified standardized marketing mix. To be able to skilfully manipulate these similarities and differences in the worldwide marketplaces is one of the most important marketing strategies for businesses in the 21st Century.

As discussed above, marketing cross-culturally requires that marketers determine the cultural viability of markets. To determine the cultural viability of market means that the marketers should positively identify cultural factors that can be used to facilitate the marketing program in the targeted markets. These factors may or may not exist in the targeted markets; a successful marketer is able to make use of those already existent factors while create other non-existent factors.\textsuperscript{26} \hfill \textsuperscript{27}

\textsuperscript{26} http://strategist.ic.gc.ca/epic/internet/insi-is.nsf/en/ai01687e.html
\textsuperscript{27} http://www.hsbc.com/
factors. The classic anthropological theory suggests that while all human behaviors, including market behaviors, take place within a cultural context, human beings are able to influence and even change, through their behaviors, the cultural context within which their behaviors take place.

Accordingly, not only does culture influence marketing; but marketing also influences culture. Marketers can act as agents of changes within a culture. The interactions between marketing and culture can be examined from three perspectives. First, culture defines acceptable purchasing and product-use behaviour for both consumers and business. Let us take business gift as an example, in cultures where a business gift is expected but not presented, it is an insult of to the host. In countries where gifts generate an obligation, such as in Japan, it may be beneficial to engage in the practice. Yet, in other cultures, offering a business gift could be misinterpreted as inappropriate, thus offending the recipients. Secondly, each element of culture influences each component of the marketing mix. Promotion, for instance, is strongly influenced by the language. Product acceptance is affected by culturally based attitudes towards change. And distribution is influenced by social institutions, such as kinship ties. Thirdly, marketing also influences culture, especially by contributing to cultural borrowing and change. In the long run, as more markets become global and standardization of marketing mix increases, the rate of cultural changes will also increase.

Nonetheless, cultures may change slowly, and specific products may meet with protracted resistance. Therefore, the primary task for marketers is to locate the similarities in various markets and strategically make them available for entering into the new markets cross-culturally. Marketing cross-culturally is a process during which marketers need to continuously adjust their behaviours and marketing programs to fit into the targeted markets. However, when entering foreign markets, marketers frequently fall into the trap of the self-reference criterion, the unconscious application of one's own cultural experiences and values to a market in another culture. Even more dangerous than self-reference criterion is ethnocentrism, the belief that one's own culture is superior to any other. It is important for the marketers know that there is no room for ethnocentrism in the 21st Century marketing practice”

28 http://www.studyoverseas.com/america/usaed/crosscultural.htm
7 THE TWO NATIONAL COMMERCIAL CHANNELS

It is important for a company to know the participants of the market it enters. Thus, following is an overview of the two companies that have the biggest share in the two national commercial channels of Hungary, which are RTL Klub and TV2.

7.1 RTL Klub – RTL Group

RTL Klub is the market leader in the age group 18-49 in Hungary. RTL Group owns 49% of the channel. It also owns Magyar Grundy UFA TV, 100%, which is the producer of the drama Baratok Kozt and the telenovela Szeress Most. RTL Klub was launched in 1997 and has had 36.5% audience share 50% advertising share in 2004.29

RTL Group has 31 TV channels and 33 radio stations in 10 countries, and is the largest independent distribution company outside the US.30 It is Europe’s largest TV, radio and production company. It is based in Luxemburg, and it operates radio stations and TV channels in the Netherlands, UK, Belgium, France, Germany, Spain, Luxemburg, Portugal, Croatia and Hungary. It was created in 2000, “following the merger of CLT-UFA, the TV and radio group owned by Bertelsmann AG (with the German newspaper group WAZ) and the Belgian-Canadian Groupe Bruxelles Lambert (GBL), with the British production company Pearson TV owned by the UK-based media group Pearson plc. In July 2001, Bertelsmann became majority shareholder of RTL Group following a stock swap with GBL in which GBL changed its 30 per cent stake in RTL Group against a 25 per cent stake in Bertelsmann AG. In December 2001, Bertelsmann entered into an agreement with Pearson plc to acquire its 22 per cent stake in RTL Group, raising Bertelsmann’s interest in RTL Group to 90.4 per cent. The remaining 9.6 per cent of RTL Group are publicly traded.”31

7.2 TV2 – SBS Broadcasting Group

SBS Broadcasting Group owns 49% of TV2 and has an other television channel, Irisz TV, which is broadcast on Club’s space in a given time of the day. It acquired 100% stake of MTM Productions in Hungary. It is the second largest broadcasting company in Europe, it has 10

30 http://www.rtlgroup.com/2005/AboutUs.htm
31 http://www.rtlgroup.com/2005/AboutUs_38.htm
television stations in 7 countries, owns consolidated interest in 53 radio stations in 5 countries, and has acquired the largest TV/radio guide in the Netherlands, Veronica. It started television operations in 1990 in Scandinavia, and radio in 1994. SBS’s history goes back to 1983, and it was founded in Scandinavia, but it quickly jumped over borders in 1998 with the acquisitions of shares in Scandinavian television stations. It expanded to Eastern Europe in 1998. It wishes to start pay TV services, and use new technology, such as digital television.

TV2 had its first year of profits in 2004. Its net advertisement revenue between January 2003 and December 2004 changed as shown on the graph.

Table 7.1 - Advertisement revenue of TV2

![Graph showing advertisement revenue of TV2](http://www.tv2.hu/cikk.php?cikk=100000102825&oldal=1)

The same tendency can be seen for each quarter, the first two blocks are Q1, the second are Q2, the third are Q3 and the fourth are Q4, for each year.
TV2 has reached agreements with Club, Irisz and Spektrum TV, that TV2 will sell the advertisement spots of these channels as well.  

32 http://www.tv2.hu/cikk.php?cikk=100000102825&oldal=1
8 Structure of the Television Programmes in Hungary

For a new company to know its environment on the market, it needs to know what kind of programmes are being watched, what hours the other companies broadcast, etc., to be able to adapt to the cultural needs of the new country. It needs to see tendencies and changes, to be able to foresee or at least predict the future, thus giving itself time to be able to adapt to these, in case needed.

There are a number of aspects need addressing, let us see each in turn.

Fig.8.1 - Changes in the amount of programmes on each channel between 1998 and 2004 in March each year

Fig.8.1 shows the amount of programmes broadcast in March each year by the national channels. The average for these years was 4,420, with not much variation. The share of each channel was in average for all years 928 (MTV1), 853 (MTV2), 1045 (Duna TV), 755 (TV2) and 839 (RTL Klub). As seen, the public channels broadcast more programmes in numbers than the commercial channels. Although the amount of programmes does not change significantly, the amount of time of broadcasting does.

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33 The graphs in this section were based on tables taken (in some cases modified, with deleting years that were irrelevant for the dissertation, however indicated with ‘…’ in the start; the data were not modified) from www.ortt.hu/lemzesek/2004/mus2004.doc
**Fig. 8.2** shows the length of the daily broadcasts in March each year by the national channels. **MTV1** has a slowly but steadily growing broadcast time, it started with 544 hours in March, 1999, and has reached 599 hours in March, 2004. This means that the amount of daily broadcast has grown from in average 17.55 hrs to 19.34 hrs. **MTV2** had 15.67 hrs in 1999, 19.84 hrs in 2000, and since then, it has been broadcasting for almost 24 hours a day. **Duna TV** has a steady amount of broadcast time, the average is 18.98 hrs a day. **TV2** shows the same tendency as MTV2, in 1999 it had 18.10 hrs of broadcasting time a day, in 2000 this figure was 17.60, but since then the average time is 20.72 hrs a day. **RTL Klub** also shows steadily growing figures in this aspect, it had 18.33 hrs a day in 1999, and this has grown to 20.05 hrs in 2004. When comparing the two graphs, we can see that though the amount of the programmes has not changed, the length of the daily broadcast has. This means that the average length of the programmes has increased.
Fig. 8.3 shows the target groups of the different channels in March, 2004. All of the channels’ target markets consist mainly of the wide audience, ranging between 84.1% and 90.4%, with the public channels having the lower percentages. The second “biggest” target market is the youth group, with percentages from 3.7 to 10.2. MTV1 and MTV2 has the lower ones, with 4.5 and 3.7 respectively. The highest percentage belongs to Duna TV, with 10.2, but TV2 and RTL Klub also has high numbers, 9.6% both. Only MTV2 and Duna TV has programmes for the elderly, with 0.5% and 0.2% respectively. Women face the same “interest”, both MTV1 and MTV2 only have 0.1% of their programmes designed for this target group, but none of the other channels have any whatsoever. Ethnic minorities might prefer to watch MTV1 and MTV2, which designate 3.9% of their programmes to them respectively, in the case of TV2, this number is 0.6%; the other channels do not show programmes of this kind. People living in the countryside may choose to watch the public channels, as commercial channels do not offer programmes that might be interesting to them. MTV1, MTV2 and Duna TV’s percentages in this case are 3.1, 3.6 and 5.5 respectively.
Fig.8.4 shows the percentage of target groups in each year, all national television stations included. There were no significant changes in the tendency. In average between these years, the wide audience had 86.9% of the programmes, youth had 8.0%, elderly had 0.1%, women had 0.1%, ethnic minority had 1.6% and people living in the countryside had 2.0%.

Fig.8.5 shows the types of programmes shown on the five national channels in March 2004. There are many different types of programmes, I will only mention the most important ones (in percentage). On MTV1, political programmes take the lead, with 15.4%, closely followed by service programmes, 10.4%. Cultural programmes make up 10% of the channel’s content. Between the 5% and 10% benchmarks, the following have a position: documentaries (8.9%), religious programmes (6.6%), (talk)shows, reality shows, cabarets (6.5%), educational programmes (6.2%) and sports programmes (5.2%). The rest of the different programmes have less than 4% share. MTV2 puts an emphasis on cultural programmes with 18.8%, service programmes with 14.4% and sports programmes with 10.7%. Between the 5% and 10% benchmarks, the following are situated: informational programmes (7.6%), religious programmes (6.9%), informational programmes (6.8%), Political news programmes (6.5%) and music programmes (5.8%). The rest are below 5% of share. Interestingly enough, this channel does not have any competitions, quizzes or games in its structure. The last in the public channels, Duna TV leads with informational programmes at 16.6%, followed by political news programmes at 13.5% and documentaries at 10.2%. Between the 5% and 10% benchmarks, there are the cultural
programmes (8.9%), service programmes (8.3%), feature films and television films (7.5%), financial programmes (6.4%) and music programmes (6%). The rest are below 4% share. As in the case of MTV2, Duna TV does not have any competitions, quizzes and games, and it does not have parliamentary coverage either.

Commercial channels have evidently an almost completely different composition in question of importance. TV2 leads with feature films and television films, at 14.4%, followed by political news programmes at 12.6% and service programmes at 10.7%. The three categories between 5 and 10% are (talk)shows, reality shows and cabarets (8%), informational programmes (7.3%) and competitions, quizzes and games (6.4%). The rest take up less than 3% of the structure, and it does not have any political panels, discussions, parliamentary coverage, financial programme, youth programme, (film)series and theatre coverage. RTL Klub neither has these as well as it does not show music programmes or cultural programmes. It has thus more above the 10% benchmark, and these are: (talk)shows, reality shows, cabarets with 18.4%, service programmes with 12.7%, informational programmes with 12.6% and political news programmes with 11.5%. Cartoons are at 9.3%, competitions, quizzes and games are at 5.6% and feature films and television films are at 5.6%. The rest of the programmes are below 3% of share.

Fig.8.6 shows a summary of the types of programmes in each year in percentage. I have divided the graph and put it in a more transparent form, making the divisions based on averages. In the first category, there are the (film)series, with an average of 16.94% during these years, political news programmes (12.06%) and cultural programmes (10.16%). These are shown on Fig. 6a. In the second division between 5% and 10%, there are the service programmes (9.30%), educational programmes (7.68%), feature films and television films (6.12%) and international programmes (5.80%). The rest of the programmes are below the 5% line.
Fig. 8.5 - Types of programmes on different channels in March 2004 (percentage)
Fig. 8.6 - Types of programmes in the number of programmes between March 2000 and March 2004 (percentage)
Fig. 8.6a - Programmes above 10%
Fig. 8.6b - Programmes between 5% and 10%
Fig. 8.6c - Programmes under 5%
On Fig.8.6a, it is clearly shown that there is a descending tendency in showing film series as well as cultural programmes, and that the amount of political news programmes are stable. On Fig.8.6b, service programmes show a growing tendency until 2003, but then diminish, although in a less pace than it was growing. Educational programmes seem to be stable in the past few years, but are showing a very slow growth. Feature films and television films move around 6%, but in the last few years show a slight growth. Informational programmes also move around 6%, but in an unpredictable way. Fig.8.6c shows all other elements that have not reached the 5% benchmark. I would like to mention a few interesting things though. (Talk)shows, reality shows and cabarets show a growing tendency, as well as cartoons and financial programmes, while the other programmes are either stagnating or have a fluctuating tendency, which is hard to predict.
Fig. 8.7 - Distribution of the programmes according to function on different channels in March 2004 (percentage)

Fig. 8.7 shows the distribution of the programmes according to function on the different channels in March 2004. Practical programmes are only shown by Duna TV, TV2 and RTL Klub, with 2.9%, 7% and 10.4% respectively of the channel’s structure. Grave current topics are mostly covered by MTV1 (41.5%), MTV2 (40.6%) and Duna TV (34.4%), although the other channels cover these as well, with 14% each. (Grave) elite culture is mostly done by Duna TV (38.2%), followed by MTV2 (18%) and MTV1 (13.9%). TV2 and RTL Klub have low numbers, 3.2% and 2.9% respectively. Light current topics are covered by MTV1 (22.1%) and MTV2 (24.4%) the most, but are closely followed by RTL Klub (18.7%) and TV2 (13.4%), while Duna TV is at the end of the list with 6.4%.
Fig. 8.8 shows the overview of the distribution of the programmes according to function on the different channels in March in the years indicated. Practical programmes are stagnating, grave current topics programmes are fluctuating as well as (grave) elite culture programmes, light current topics programmes show an increasing tendency and light other programmes a slowly diminishing tendency, although it still has the biggest share.
Fig. 8.9 shows the types of programmes started in the evening prime time (19.00-23.00), between March 2000 and March 2004 (percentage). As it is a concise version of the data, in Fig. 8.9a, only those above 5% are shown on a separate line diagram. Feature film and television film take the lead, with a leading tendency, starting at 15.7% in 2000 and reaching 18.3% in 2004. Political news programmes take second place, although with a fluctuating tendency, though seemingly getting stable in the past three years, around 15%. Third place goes to (film) series, also fluctuating, but showing a diminishing tendency. (Talk)shows, reality shows and cabarets seem to be growing, though dropping a bit from 14% in 2003 to 12.6% in 2004. Sports programmes are stable around 8%. Cultural programmes show a diminishing tendency, starting out at 11.4% in 2000, reaching 4.3% in 2004. Documentaries have a fluctuating tendency, though it seems that the low numbers and the high numbers stay about the same, with around 4% and 10% respectively. Service programmes are also unpredictable, reaching a low in 2000 with 3.5% and a high in 2003 with 10%. Interestingly enough, youth programmes are non-existent in prime time.
Fig. 8.9 - Types of programmes started in the evening prime time (19.00-23.00, between March 2000 and March 2004 (percentage)
Fig. 8.9a - Programmes above 5% during prime time
Fig. 8.10 - Structure of the programmes in both public and commercial channels in March each year indicated (percentage)
Fig. 8.10a - Differences between the percentage for each type of programme between public and commercial channels.
Fig.8.10 shows the structure of the programmes in both public and commercial channels in March each year indicated. It is just an overview and a comparison of the weights of the different types of programmes in public and commercial channels. On Fig.8.10a, the differences between the percentage for each type of programme between public and commercial channels are depicted for each year. If the difference is positive, it means that there is more of that type of programme on the public channels, whereas if it is negative, it means that there are more of those on the commercial channels. The top 3 differences in each directions are: there are much more cultural programmes on the public channels, the average difference for the years is 12.9%, followed by educational programmes with an average of 10.3% and documentaries with 6%. On the other end, there are more (film)series on the commercial channels, the average difference is 26.9%, followed by competition, quizzes and games (9.4%) and (talk)shows, reality shows and cabarets (6.6%). We can however see a general tendency to move towards a similar kind of structure, the more close to the zero these figures are, the more similar the structure of the two types of television stations become.
Fig. 8.11 - Distribution of the programmes on both public and commercial channels with regard to function, in March each year (percentage)

Fig. 8.11. shows the difference between the distribution of programmes with regard to function each year. Practical programmes show a diminishing tendency in the public television stations, starting at 2.8% in 2000, reaching 1.1% in 2004, while the opposite happens on the commercial stations, starting at 5.5% in 2000 reaching 8.9% in 2004. Grave current topics have a fluctuating tendency in both cases, with an average of 37.5% on public channels and 14.8% on commercial channels. (Grave) elite culture programmes have a fluctuating tendency on public channels, with an average of 26.0%, as well as on commercial channels, with an average of 6.2%. The same happens with light current topic programmes on both channels, with an average of 14.1% on public channels and 13.2% on commercial channels. Other light programmes are also fluctuating, with an average of 20.7% on public channels and 59.2% on commercial channels.
**Fig. 8.12 - Public and non-public programmes on public and commercial channels in 2004 (percentage)**

![Bar chart showing percentage of public and non-public programmes on public and commercial channels.](image)

The chart shows the difference between public and non-public programmes on public and commercial channels. The results are not surprising, since public channels are designated to serve the interest of the public, these programmes have larger weight in the structure, and vice versa in the case of commercial channels.

**Fig. 8.12** depicts the difference between public and non-public programmes on public and commercial channels. The results are not surprising, since public channels are designated to serve the interest of the public, these programmes have larger weight in the structure, and vice versa in the case of commercial channels.
Fig. 8.13 - Public and non-public programmes on the national television stations in 2004 (percentage)

Fig. 8.13 is a separation of Fig. 12 into the channels themselves, how much weight of the accumulated results is given by each channel.
Fig. 8.14 - Public and non-public programmes on the national television stations in March each year (percentage)

Fig. 8.14 shows that the division between public service programmes and non-public service programmes are stagnating, at 55.3% and 43.3% respectively, with an average of 2% of programmes which have a doubted status.
9 Market Share and Advertisement Data

Since the Hungarian Media Act entered into force and two commercial national television stations entered the market, the war for the television viewers became the most crucial for all the participants of the market. The “Golden Age” of the national public broadcaster MTV was ended, and the two newcomers, the TV2 and the RTL KLUB, started to win over the audience. It was so successful that after the experimental period of the commercial national television stations (from 1997.09.29. till 1997.11.02), by the end of the year they attracted two times more viewers than the three national public channels (MTV1, MTV2, Duna TV). The process was not ended. In the end of the year 1998 almost 75 per cent of the television viewers chose one of the commercial channels. This number shows the share of all the commercial television stations in Hungary, however, the main commercial channels started to operate later.

Table 9.1 - Main channels in Hungary

<table>
<thead>
<tr>
<th>Public channel</th>
<th>Starting year</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTV1</td>
<td>1957</td>
<td>99,0</td>
</tr>
<tr>
<td>MTV2</td>
<td>1988</td>
<td>59,4</td>
</tr>
<tr>
<td>Duna TV</td>
<td>1992</td>
<td>60,6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commercial Channel</th>
<th>Starting year</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV2</td>
<td>1997</td>
<td>98,7</td>
</tr>
<tr>
<td>RTL KLUB</td>
<td>1997</td>
<td>97,6</td>
</tr>
<tr>
<td>Magyar ATV</td>
<td>1996</td>
<td>52,1</td>
</tr>
<tr>
<td>Spektrum</td>
<td>1996</td>
<td>44,8</td>
</tr>
<tr>
<td>Viva+</td>
<td>1997</td>
<td>41,7</td>
</tr>
<tr>
<td>Minimax</td>
<td>1999</td>
<td>35,8</td>
</tr>
<tr>
<td>Viasat3</td>
<td>2000</td>
<td>49,0</td>
</tr>
<tr>
<td>National Geographic</td>
<td>2002</td>
<td>40,0</td>
</tr>
<tr>
<td>Sport1</td>
<td>2000</td>
<td>40,0</td>
</tr>
<tr>
<td>Filmmúzeum</td>
<td>2001</td>
<td>13,6</td>
</tr>
</tbody>
</table>

http://www.initiativemedia.hu/piac-tv.html

After the year 1999 the rate between the public and commercial television stations did not changed significantly. About 10-15 per cent of the television viewers watched public channels, and the commercial channels attracted about 80 per cent of the audience.34

Of course the national channels were the most watched ones. The biggest public channel lost its first place rapidly and found itself as the third most attractive channel in the country and until our

34 www.agb.hu
days there was no channel that endangered its third place. Although the Viasat3 is already closed the gap and sometimes attract more viewers than MTV1, it is not usual and the time will give the answer to this question. The two commercial national television broadcasters are neck and neck in the case of the share in the war for the television viewers. At the beginning TV2 was the most popular, but its first place was never a safe one. Its gain was never big enough to acquire it for good and all. The turn came in 2003 when the rival RTL KLUB started the second episode of its reality show earlier than TV2. From that period the first place of RTL KLUB is a continuous one and TV2 can fight back only during the summer, when RTL KLUB rests its main and most popular programs and stars. The tendency is clearly shown in the next graph:

Fig. 9.2 – Shares in 2003&2004 Q1

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35 http://www.initiativemedia.hu/piac-tv.html
In 2005 the situation is the same. RTL KLUB owns the first place in and TV2 tries to close the gap. This gap is smaller in the case of the shares of the whole day, while it is much more obvious in the case of prime time, which is between 6.25 PM and 10.49 PM and the most important time for the advertisers.

http://www.kreativ.hu/cikk.php?rovat=nezettseg_a_datok
The target group of advertisers is people between ages of 18-49. The next graph shows the composition of the audience based on age. The composition in the case of the commercial channels is similar, but the target audience of RTL KLUB is higher with 3 per cent than in the case of TV2. This gap is even higher based on the last two graphs when the total audience was also higher in the case of RTL KLUB. The composition of the audience of the public channel is much more different. Mostly elderly people are attracted by this television channel what is quite a big handicap in the battle for the advertisers.

37 http://www.kreativ.hu/cikk.php?rovat=nezettseg adipatok
The advertisers are the main supporters of the commercial and, unfortunately or not, of the public television broadcasters, however, public national television broadcasters also get money from the state. Winning the war for the advertisers is more crucial than winning the battles for the audience, but of course these two competitions are directly related to each other.

In 2004, there was a significant change, done by RTL Klub. It introduced the so called channel average price system, which means that in the centre of the policy is that the advertiser can get a spot whenever it wants to, and that the price regarding everyone changes depending on how many spots they need.

http://www.initiativemedia.hu/piac-tv.html
The average time of an advertising block is the lowest one at the MTV1. It is because they can not attract more advertisers. The second is the RTL KLUB, but because of a different motive. The channel can gather its income with less advertising time, since more viewers choose them than the rivals, and RTL KLUB also listens to the wishes of the audience, that is less advertisings.

http://www.initiativemedia.hu/piac-tv.html
TV2 owns the longest average advertising blocks, but it does not mean that they are the richest too. Maybe it is a surprise, but the first year that was profitable for the company was the last one (2004). Maybe the main cause of this is that the average share of audience of one advertising spot is lower in the case of TV2 than in the case of its main rival. What is more, this share is continuously decreasing and it is because more and more channels entered the market, especially thematic channels and there is a fragmentation because of them. It is a good news for a newcomers or possible newcomers, but who knows where are the borders of the advertisers.

http://www.initiativemedia.hu/piac-tv.html
10 Conclusion (A New Television Station on the Hungarian Television Market)

If a broadcasting television company would want to penetrate the Hungarian television market, it would have to do a thorough analysis of the market, create a television station with a new concept that would suit the Hungarian market and people’s taste, and face intense competition from the already existing companies.

The first question it should ask itself once decided on entering the market is whether it would want to be a public or a commercial television station, because the laws regarding each are different. As being a public service television channel provider means that it is not profit oriented, it would mean that most companies would refer from becoming one. And as these channels have a clearly stated mission and different requirements of the law on what they can and cannot show, what kinds of advertisements they can show or not, how much of these; these channels rely mainly on the funding they get from the state. I would venture to say that unless an investor has enough time on its hands, has enough money to put into the public service channels in Hungary and is patient enough to wait for results, it would not invest in it. That leaves this question with the answer of becoming a commercial television station provider.

The next issue would be how the new company would like to broadcast. There are two frequencies on the earth distribution channels, and these are used by RTL Klub and TV2. The only way the new channel would be able to broadcast this way, would be to wait for their contracts to run out, which will be in 2007 – which they can elongate, that means even more time to wait. This leaves with the prospective investor with the choice of either choosing cable or satellite distribution. This means, that it will not be able to cover as many households as the other two channels, as they are available without the necessary equipment for the television set. It says in the Media Act though, in § 128 (2) that it will immediately start the building of a network which would secure that a third earth distribution channel could be present in Hungary. However, it has not been finished yet, and it will take years for it to happen.

With regard to the structure of the television market, it could be said that if looked at closely, it is a multi-channel model. Just as a reminder, the characteristics of a multi-channel model are: many participants in the market, using new broadcasting technologies, alongside of the traditional

41 http://www.initiativmedia.hu/piac-tv.html
ones, stations with general programme supply as well as specialized stations, the gaining ground of pay-TV, the extension of international television, globalizing tendencies on the market, the state intervention getting weaker. The tendency in Hungary is going this way, although it still seems that rather the signs of an oligopoly show, which are: few participants of the market, barriers to the entry, the firms are interdependent, they either collude or compete with each other. In the case of Hungary, the two national commercial channels show both kind of behaviour, depending on the number of viewers. They do have the same types of programmes, although sometimes one of them comes up with something new, that takes viewers from the other one, and thus the other responds by restructuring its programme. Entering this market would be very threatening for both RTL Klub and TV2, as at the moment they do not have any competition but each other. It can be said, that public service channels do not present any competition in any way at the present.

If it were to enter the market, it would have to create a complete profile, with regards to cultural communication and marketing. It is important in the case of a television station, who they work with. They need a “face” with which people can associate the channel with, as well as the appropriate logo and name that are easy to remember. They would have to show a variety in the already existing programme types, they might attract viewers if they showed something different from the already existing channels. Of course the conclusion could be made that the structure of the programmes on the commercial channels are so, because of the need of the people. In Hungary there does not seem to be any need for cultural programmes or youth programmes, the people like to watch reality shows, films, soaps. The only new thing it could provide would be some kind of education programmes, not the kind that already exist, but where it would show films in their original language, or if it would have language teaching programmes. With Hungary joining the EU, the need for foreign language proficiency has increased, and unfortunately there is not a very good history of learning languages at school in this country. It could also show different soaps, if needed, as it probably would be, but not from Latin-American countries, but others. When Dallas started in Hungary, it was a huge hit, because people liked to see the lives of rich Americans. Whereas the Latin-American soap operas have no “status” if such exists, but are considered to be low level programmes by a certain segment of the people. This segment includes those with higher incomes, and these are the target groups of the advertising companies.

Let us see those sections of the Media Act that are general provisions and are relevant.
7. § says that national channels have to show programmes that are made in Hungary (films are exempt), at least 15% of their yearly broadcast time, and have to spend at least 12% on these out of its yearly revenues.

8. § says that the national broadcasters – with exceptions of the specialized channels – have to show public programmes at least 10% of its daily broadcast time. It also says that during prime time, public service programmes have to be shown at least for 25 minutes, and that political news programmes have to be shown for at least 20 minutes. It also says that a national channel operating on an earth broadcasting system, it cannot operate as a specialised channel.

16 § says that maximum 15% of the daily broadcast can be advertisements, and that within an hour of broadcast, advertisements cannot reach over 12 minutes. It also says that national televisions – with exceptions of stations specialized in film – have to spend 6% of their advertisement income on creating new, Hungarian films.

These show that for a company to have a television channel in Hungary, they have to pay for it, and at least help some sectors that are in need of funding.

All in all, I would say that if a broadcasting company would want to introduce a new television channel in Hungary, it would have to plan for long term, with losses in the first 10 years at least, but when the equilibrium reached a stable point again after a while between the then three national channels, it would be worth it.
BIBLIOGRAPHY:


