



Rise and rise of a sales superman

He describes himself as just a 'worker bee' but Viacom president **Mel Karmazin** is key to the success of the world's largest media group

Mel Karmazin has his hands on the controls of the world's biggest media company, yet this street-wise New Yorker's personal profile and immense power is often overshadowed by the size of his boss's throne.

It's not that Karmazin does not have chunks of charisma and lots of strong opinions about the media world. He certainly knows the business, is respected by rivals and employees, and wields a steel-edged wit.

It's just that at Viacom Karmazin is the COO and president to Sumner Redstone's CEO and chairman.

"I'm just the working stiff," is how he describes himself. Some stiff. This self-made man, the son of a taxi driver from Queens, was once forced from his job as a radio ad salesman for making too much money.

In tandem with the high-profile Redstone, he has built Viacom into a media superpower with a market value of \$78bn (£49bn). This is nearly twice the size of Disney and News Corp, and a couple of billion ahead of AOL Time Warner.

His personal fortune is considerable – about \$165m-worth of Viacom stock, and under his latest contract a \$1m salary, a potential \$6.5m contractual bonus and \$3m deferred compensation.

As its rivals all lost millions in the dotcom collapse, Viacom stuck to its core business; it steered clear of big web investments – and the worst aspect of the global media recession.

By **Kate Bulkley**
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"I give him a huge amount of credit for avoiding the internet," says Jessica Reif Cohen, senior media analyst at Merrill Lynch in New York. "It wasn't by accident. He sat in the back of conferences and learned about it."

She adds: "Karmazin was a lightning rod for change [at Viacom]. He asks his divisional heads questions that make them think about their businesses in new ways. He challenges them. He's tough but fair."

Sales staff feel the Man of Steel's toecaps

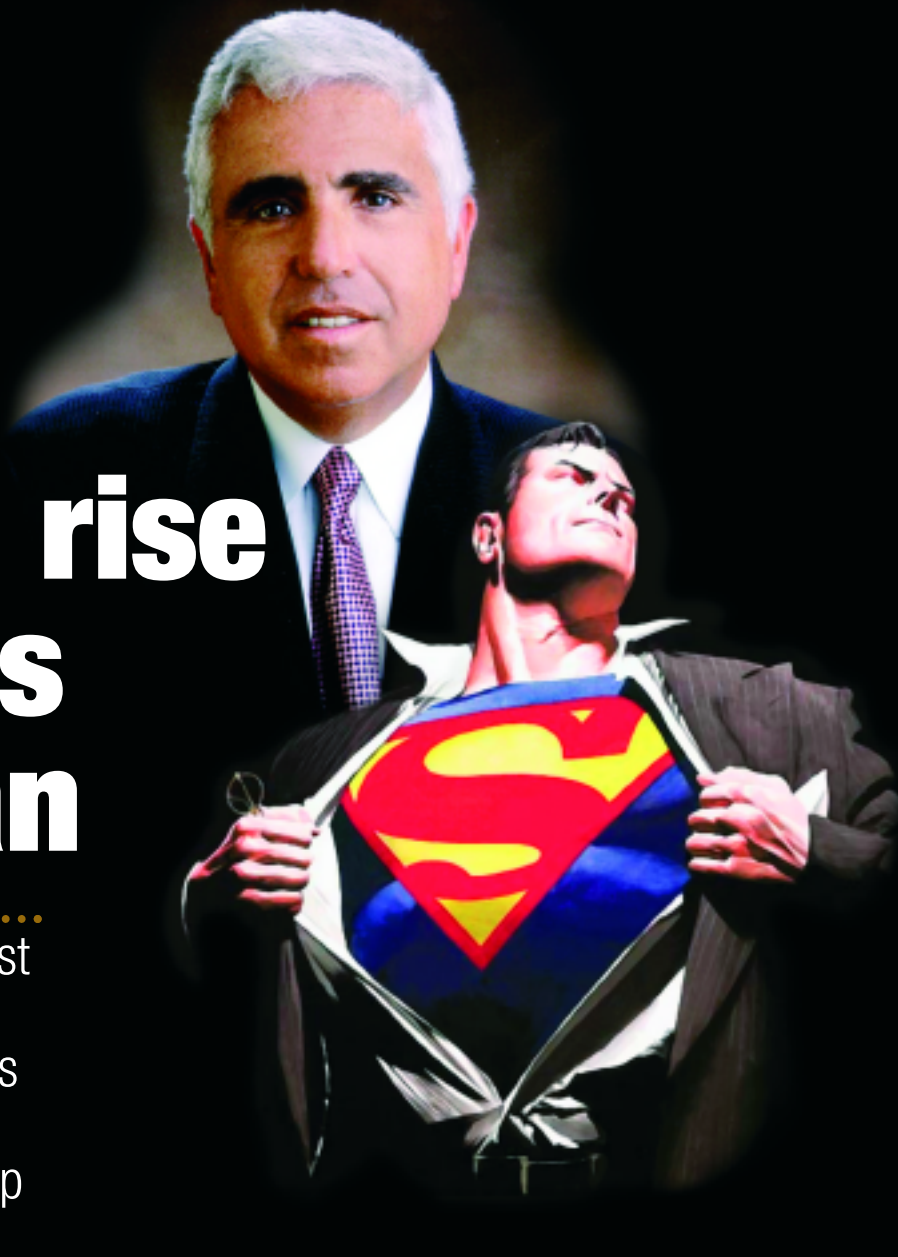
This legendary toughness has also given him the reputation of someone who eats journalists with his Corn Flakes.

When, during a transatlantic phone call I note that he seems more approachable than I had been led to believe, he says: "Oh, now be careful with that, I do have a reputation to maintain and I've worked hard at it over many years."

Karmazin's tough side revealed itself in a June call to financial analysts. Asked why radio sales had not grown as fast in the first part of the year as predicted, he went into rapid attack mode on his own salespeople.

There's nothing wrong with radio, Karmazin told the analysts, that cannot be solved by a "kick in the arse of the 3,500 Infinity radio salespeople and if I have to do it to each one, I will".

But in common with that other much better known media mogul, Ted Turner, Karmazin's extensive work in philanthropic causes reveals a softer side.



His own private foundation pushes millions into health-related and industry-related organisations, including a focus on HIV/Aids prevention, a cause that he recently made into a company-wide initiative at Viacom.

As a business operator, Karmazin is perhaps best known for bringing CBS and Viacom together to discuss a merger

in early 1999. At the time, he was running CBS successfully, but saw an opportunity to expand the best parts of his business and beef up areas such as cable, TV content, video rental and movies.

Karmazin was smart enough to know that Redstone, who had built up Viacom from a

few drive-in cinemas to a major media player, would rather die than give up control of his cherished company, but Karmazin decided he could afford to share power for the sake of building an unrivalled media powerhouse.

The \$39.8bn merger of Viacom and CBS, completed in May 2000, created an advertising and programme syndication giant. It owns cable powerhouses MTV Networks, Nickelodeon and Showtime Networks, broadcasters CBS and UPN, Blockbuster Video, a large billboard business, publisher Simon & Schuster, the Infinity radio business and Hollywood studio Paramount.

Taken together, Viacom's cable and broadcast networks capture an impressive 26% of all US TV viewing. Rival Disney-owned networks get 17%, AOL Time Warner 16%, NBC 14% and Fox 13%. Viacom's 185 radio stations add to the company's reach and helped it to generate total revenues of \$24.6 billion in 2002.

No wonder Viacom would like to add Disney and/or CNN to its portfolio.

This level of success would have been difficult to predict when Karmazin began his media career. Working first at a small New York ad agency while he put himself through night school at New York's Pace University, Karmazin found his calling as a natural huckster

for his talents at Infinity Broadcasting, which he helped build into what is today the US's second-largest radio broadcaster. Karmazin got to run things plus a 1% equity stake. It was a package that appealed to his pay-for-performance credo.

He spent the next 15 years expanding the company from six stations to 44, and in the process gave "shock jock" Howard Stern a national platform.

Wall Street looked on with shock and awe as Karmazin took Infinity public, then private and then public again – with profits following each jump in and out of the stock market.

While he made his own personal fortune, others were getting rich along with him. Infinity stock issued in 1992 was trading at \$170 by the time CBS agreed to Karmazin's offer to sell Infinity in an all-stock deal worth \$4.6bn in December 1996.

As part of the deal, CBS gave Karmazin another big job: running the combined radio businesses with a seat on the board – and made him the company's biggest individual shareholder.

Only four months later the man dubbed "Super Salesman" was also applying his creed of cutting costs and selling harder to CBS's TV business.

Within two years, Karmazin was CEO of the entire company. His former boss Michael Jordan surprised observers by taking early retirement. Did Karmazin push him out? He replies wryly: "Michael Jordan chose to retire."

Deregulation creates acquisition targets in US and UK

Karmazin's current boss, the 80-year-old Redstone, gives no indication of slowing down, and neither does Karmazin, who is 60, although media analysts scratch their heads at this strange executive marriage.

The foundations for the power sharing were set at the merger in 2000. Redstone would keep his top seat at the head of the newly enlarged company (Redstone still controls 69% of Viacom's voting stock), while Karmazin got to do what he is best at: roll up his sleeves and make the company work.

Karmazin signed a three-year power-sharing contract and the odd couple took the company to new heights, riding out the storm that gave a gut punch to some of its biggest rivals.

But when the original contract's term expired last year and a new contract remained unsigned for several months, the stock market became jumpy. After a lot of to-ing and fro-ing, Karmazin signed up for another three-year stint in May, much to the relief of Wall Street.

"Although there will always be areas of disagreement and bumps in the road, I think that's healthy and good," says Karmazin about Redstone. "Both of us have the same interest and that is we both love the company."

But Karmazin adds a telling rider: "If you look at it, Sumner's been part of Viacom for 15 years, but if you take the Infinity piece (of my career), I've been part of this company for 22 years."

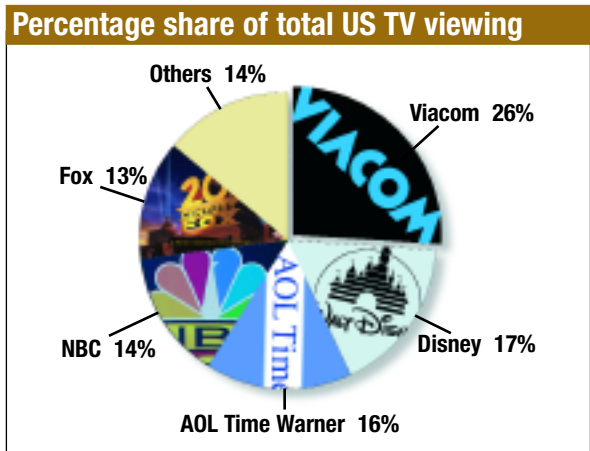
Recent deregulation in the US puts Viacom and its strong balance sheet in pole position to acquire more radio, cable and TV properties.

Karmazin is keeping a weather eye on deregulation developments in the UK as well. But with any acquisition, the price must be right, it must fit in with Viacom's business strengths and it must add to the bottom line so that Karmazin, the self-described "worker bee", can continue to call Viacom a "large-cap, growth stock". n

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Cash for countering discrimination: Mel Karmazin (at the podium) in 1999 launching the Quetzal Fund, an investment fund designed to increase ownership of TV and radio stations by ethnic minorities and women



selling ads for a local radio station.

In 1970 his bosses at local radio affiliate WCBS tried to scale back his \$70,000 earnings gained largely through commissions. Instead of effectively taking an enforced pay cut, he quit.

Eleven years later, he finally found a big enough canvas