ADVERTISING MARKET OF ARMENIA

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Analysis and Interpretation of the Empiric Data of the Advertising Market Research for 2003

From August 20 to September 20, 2003, Internews non-governmental organization initiated a survey in the framework of the research of advertising market of Armenia. The research aimed at defining:

- The cost of the volume of advertising market for the period from July, 2002 to June, 2003.
- The dynamics of the advertising market development as compared to the interval between 2001 and 2002.
- The perspectives of the market development for the next period.
  The survey was conducted based on the method of depth interviews among 60 experts representing ad agencies, the mass media and the major companies functioning in the territory of Armenia.

It should be noted that virtually all the experts welcomed such a research, which proved that the role of a research approach towards advertising production has increased. The most interested ones were the representatives of advertising agencies that talked about stagnation in the development and the lack of further serious research of the whole market and its various segments.
The answers to the questions reflected big diversity. As in 2002, the most problematic thing for the experts was defining the ad volume in the related spheres. However, the diversity was not as huge as in the last year. The most similar data about media advertising were received from the experts representing advertising agencies and the television. As for the billboards, here the evaluation of experts, as well as the initial measurements allowed to accurately define its volumes.
As in the previous research, the experts were offered to answer the main two blocs of questions. The first one was about advertisers, and advertising budgets, and the second one – about advertising in the mass media and billboards. As in the previous year, the overwhelming majority (more than 90%) of the experts mentioned the annual advertising budget of more than $100 thousand as a “bar” defining the biggest advertisers of the country. However, while defining the numerical strength of such companies, the experts were inclined talk at least about 20-25 advertisers, most of all mentioning Grand holding, Vedi Alco, Sil Group, Coca-Cola Bottlers Armenia, Avshar Wine Factory, Yerevan Factory of Champagne, Jermuk, Jermuk Group, Multi Group, as well active seasonal dairy manufacturers: Tamara, Ashtarak Kat, and Shant.
As in the previous research, the following ones were mentioned as active major advertisers: Abovyan and Yerevan Beer Factories, Yerevan Brandy Factory, Armentel.

The most active importing companies, according to the experts, are the local representatives of Procter&Gamble, Colgate-Palmolive, Stimorol, Wrigley's, as well as Schwarzkopf, Ceramics. The hyperactivities of lottery companies were somewhat on the point of decreasing. However, according to the experts, in the beginning of the summer a new wave of lottery campaigns started: Shahogh Loto, Armenian Lotteries, Pharaoh, and traditional Family Lottery and Bari Loto, together with its modifications. Also, coffee and taxi services are actively advertised, especially the campaigns of the coffee brands Ferro, Premiere, and taxi services Anahit, Taxi-maxi.
While evaluating the maximum annual budget of medium and small advertisers, the experts were inclined to the opinion that the sum of joint annual advertising expenses for medium ad budget companies was from $5000 to $20000, and for small advertisers the maximum ad expenses may be up to 2 thousand dollars a year.
Similar indicators are presented in the monitoring of television advertising, conducted by the experts of the above-mentioned Media Group for the period from the second quarter of 2002 to August, 2003. The monitoring was carried out for the 6 biggest channels Public TV, Armenia, Prometevs, Shant, as well as NTV and First Channel. Since the mentioned channels have more than ¾ of the total cost of the volume of TV advertising, being able to reveal certain tendencies. The comparative analysis of the corresponding periods of the past and the present years allow us to say that the share of 50 biggest advertisers on television has increased from 54% to 63%. As for the volume of advertising time at the mentioned channels, the alternate leaders are Moskva Movie Theatre, Grand Candy, and Family Lottery , followed by Bari Loto, Ferro, 550-551 Shop, Sil Group, Vilem Plaza, Yerevan Champaign Wine Factory, Jermuk Group, Vedi Alco, Ceramics, Daroink, Paxan and CCBA (The Coca-Cola Company.)

Television Advertising

Since most of the advertising volume on television is mainly regulated through integrated ad agents, it was difficult to define the joint volumes of TV advertising at various channels. The experts have mentioned the fact that the emergence of new channels and "carriers" of advertising hasn't had a significant influence on the re-distribution of means, and some increase of the volume of advertising allowed keeping the existing parity. The only exception was the return of the First channel to the advertising grounds of Armenia.
According to experts, the volume of TV advertising in Armenia for the last year has increased by 10-15%. Another important detail was the increase of prices at separate channels.
While evaluating the volume of the average monthly cost of TV advertising in Armenia, the diversity of opinions, excluding the 4 extreme marks, was fivefold – from $ 120000 to 600000. Since the opinions of the experts were mainly closer to each other than previously, the experts-skeptics (represented mainly by the mass media employees) estimated the television market at $120-150 thousand. The second group, or realist experts, was inclined to estimate the volume of the market at $200-400 thousand. And the third group – optimists – estimated the television market at 400-600 thousand dollars. Thus, the average weighted value of the volume of TV advertising was $250000 a month, and with the exclusion of the 4 extreme values - $222000, the median - $220000, and the

modal value - $200000. We'll get almost the same picture if we sum up the average marks of the sales volumes of separate TV companies. However, while defining the groups according to sales volumes, the experts were inclined to put together some of the advertising "carriers": the group of the TV channels with major sales volume, as in the previous year, was headed by the Armenian Public Television, followed by Prometevs and Armenia, the minimal monthly volume of which is $45000. The experts attributed the First Channel, NTV and Shant to the average volume group, the monthly volume of advertising bringing up to $20000. All the others were attributed to the small volume group with the maximum monthly volume of up to $7000, the most preferable ones being Dar 21 (re-broadcasting Muz TV), TV 5 (re-broadcasting MTV) and Hay TV.
Summing up the results, we can come to the following conclusions. Based on the average marks, Public Television (together with the First Channel), Prometevs (together with NTV) and Armenia (with its network) control up to 77% of the TV advertising market, and here the modal value and the median coincide: Public Television (together with the First Channel) – 35%; Prometevs (together with NTV) and Armenia (with its network) – 21% each. Since the experts were offered, as previously, to evaluate the absolute sums of entries from advertising, the average indicators have marked the following tendencies: the average weighted quotient for Public TV is $77000 a month, Armenia TV channel is in the second place with $47000, and Prometevs is in the third place with $45000. However, if we have in mind the network distribution, we will have the following picture: Public Television (together with the First Channel) – $107000; Prometevs (together with NTV) - $67000, and Armenia (with its network) – $65000.
There was another question that a bit clarified the transformations: How would you mark the attractiveness of TV channels broadcasting in Armenia, as advertisement "carriers?" (5 – Being the highest mark, and 1 – the lowest.) Here we should clarify something. The experts were offered to evaluate the channels on the whole, without taking specific TV programs and the characteristic features of the goods into consideration. The technical furnishing, broadcast coverage and the whole programming policy of the channel played an important role in the evaluation. It created certain complications, since some channels were notable for their specific TV programs. The achieved results are presented in the Table #3 below, reflecting the general trends to a certain degree.

Table N3.
Marking the attractiveness of channels

TV channel	Average weighted	Median	Mode
Public TV	4,21	4	5
First Channel	3,92	4	5
Prometevs	3,71	4	5
NTV	3,63	4	4
Armenia	3,33	3,25	3
Shant	3,07	3	3

Kentron	2,38	2	2
ALM	2,37	2	2
Armen-Akob	2,37	2,5	3
Hay TV	2,33	2	2
AR	2,31	2	1
Dar 21 (re-broadcasting MuzTV)	2,27	2	2
TV 5 (re-broadcasting MTV)	1,81	1,5	1
Yerevan	1,65	1,5	1

Weighted average is the statistical average that allows revealing the average value in a row or a scale, taking into consideration the repetitions of certain values.
Mode is the most frequently appeared aggregate value of a variant.
Median is one of the central variants of the examined aggregate.
Despite the fact that the First Channel offers advertising not for the whole territory of Armenia, and NTV is re-broadcast on a UHF channel, in the rating of attractiveness they are among the top five candidates. It is defined by the most influence and traditionally interesting and popular programs and the general level of those Russian channels. As for the Public TV, it is the most attractive on for several reasons: traditionally, the First Channel (that's how it is called in Armenia, too) is traditionally the official source of information, and, regardless of the fact that it is actually a public channel, most representatives of the Armenian media associate it with the official opinion of the authorities. One way or another, this channel is the main source of information, reflecting the important social and political events. The next attractive channels are Prometevs and Armenia: the first one – because of national coverage, and the second one – because of the commercial format.
The opinions of the experts concerning the cost of one advertising minute at the presented channels are more interesting. Despite the fact that, according to them, the price decrease tendency is still preserved, that factor is not so significant and does not influence the whole situation. As previously, there are cases of selling air time at very low prices ($5-7 for a minute of advertising, but the process development leads to the elimination of such phenomena. On the one hand, it is not to the advantage of the channels that get subsidies to sell advertising at low prices if they pursue commercial aims, and on the other hand, advertisers start understanding how much the advertising should cost them. Such a question was asked to the experts with the purpose of evaluating the cost of advertising. We got the following answers to the question: Let's assume a minute of air time at the Public TV costs 100 conventional units. Based on that, how would you evaluate the cost of one minute of advertising at other TV channels?

Table N4.
Evaluation of the cost of one minute of advertising

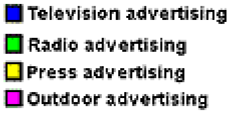
TV channel	Average weighted	Median	Mode
Public TV	100	100	100
First Channel	68,8	70	100
Prometevs	59,4	57,5	60
Armenia	56,2	55	55
NTV	50,2	40	30
Shant	39,5	32,5	30
Dar 21 (re-broadcasts Muz TV)	33,0	22,5	30
Armen-Akob	30,7	20	20
Kentron	28,8	20	15
TV 5 (re-broadcasts MTV)	27,2	15	15
Hay TV	23,8	17,5	15
ALM	23,7	16,25	10
AR	22,6	20	30
Yerevan	16,1	10	5

Weighted average is the statistical average that allows revealing the average value in a row or a scale, taking into consideration the repetitions of certain values.
Mode is the most frequently appeared aggregate value of a variant.
Median is one of the central variants of the examined aggregate.

As we have already mentioned, in reality, prices at lots of TV channels in Armenia are lower than the ones presented in the table. Here, as in billboards, it is necessary to work out principles and a structure of price formation, as well as a transition to more civilized methods of air time sales, taking into account the regular research of the TV audience. The scientifically substantiated data should objectively reflect such objective parameters, as:

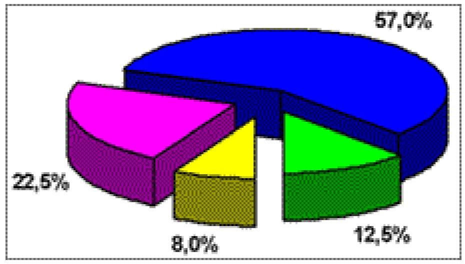
- G.R.P. (Gross Rating Point) – the number of possible contact with advertising for a certain period of time, taking into account the numerous contacts of the same people with advertising;
- C.P.T. (Cost-per-thousand) – the cost of 1000 advertising contacts or the same indicator in percentages (C. P. R. P.)
- Coverage/Reach – the coverage of the population.

Besides, it is necessary to conduct measurements of other characteristic features of the TV audience, such as belonging to social strata and groups having dominating



preferences, tastes and other features that help advertisers to evaluate the structure of TV audience.

Scheme N2.
Distribution of advertising expenses between the mass media and billboards



As demonstrated on the presented scheme, the conducted research has shown that the most dynamically developed advertising carrier was billboards (22% among the mass media, as compared to the last year's 19 %.) The weighted average percentage TV advertising is 57%, as compared to 55.7 of the previous year. As for radio and the print media, they, too, have some tendencies of increase. However, the total volume has significantly decreased, and for the period of this research radio advertising had 12.5% (as compared to 15.9% for the previous year), and the print media percentage has decreased from 10% to 8%. Thus, for the covered period, the media advertising sum was $4,75 million, more than 3 million of which is for TV advertising.
If we add billboards to the media advertising (since plenty of them are used in advertising purposes in ways of sponsorships, PR, promotions and other active events that can be attributed to indirect advertising that has a ratio of 1/1,5 in the world, being quite comparable to other types of advertising in our country) and if we sum up all the data obtained in the process of the conducted research of the ad market, we can come to the following conclusion: the volume of the ad market in Armenia for the past year was about 6 million dollars for billboards and the mass media, the dynamics of the market being about +15-18%. (for the period from July, 2002 to June, 2003.)