



STRUCTURE OF THE ARMENIAN MEDIA ADVERTISING MARKET AND PROSPECTS OF LIBERALIZATION

Summary of the Full Report

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EXECUTIVE SUMMARY

The report presents the structure of the Armenian advertising market for television, radio and Internet media and the prospects for liberalization. The study reveals that there are companies in the advertising market having a dominant position in the television and Internet advertising markets, moreover, there are companies with prevailing position in the TV markets both in the seller's and buyer's markets. The study also reveals that there are no companies with dominant position in the radio advertising market. Based on the aforesaid revelations, ACPIS has submitted appeals to the RA State Commission for the Protection of Economic Competition (SCPEC) regarding the monopolistic situation dominating in the television and Internet markets, so that the Commission to carry out an investigation on the presence of monopoly in the TV and Internet advertising industries and take up appropriate measures.

The study resulted in the development of recommendations that can create opportunities for the market participants to overcome the current situation when some participants of the advertising market occupy a dominant position. Given the international experience, it is suggested to establish an advertising industrial committee from the advertising market participants, to conduct an independent audit for TV audience measurement organization, and to keep the activities of this organization under constant control by the industrial committee. Given the new changes in the advertising market when the TV advertising is sold also by rating points, it is recommended to make legislative amendments to the Laws on "Television and Radio" and on "Advertisements" that will reflect the current realities. It is also recommended to legislatively regulate the activities of Internet websites, which will enable to understand advertising incomes and financial activities.

BACKGROUND INFORMATION

In recent years, an infrastructure-building process is going on in Armenia's media industry in order to make the advertising market meet the contemporary standards: to deliver required level of services to local and international advertisers and to increase financial inflows, therewith to ensure media independence, interesting and diverse content, and to promote market competition. At the same time, along with advertisement infrastructure-building process, there is a tendency noticed when certain manipulations related to advertising market result in control over the market, and the contemporary instruments instead of developing the market enable some participants of the market to acquire a dominant position, therewith trying to dictate others to the rules of the game.

Since the late 1990s, international brand companies started to broadcast their ads on the Armenian television and entered the Armenia's advertising market. These ads were usually placed by the international advertising companies, and the access of international advertisers became a reason for the entrance of international

advertising companies into the market. The international companies tried to regulate the advertising market and to introduce special rules for the industry. At the same time, the international advertisers were demanding the availability of required infrastructure for their activities and gradually, this infrastructure began to be shaped.

Since 2005, monitoring of TV channels and measurement of television audience has been carried out in Armenia. In the mentioned period, 3 different companies have conducted measurement of television audience. In 2005 AGB Nielsen started to implement such measurements, and in 2008, in parallel GFK entered the market. In 2013, the owners of AGB Nielsen decided to close the business in Armenia. And in January 1, 2016, "Telemediacontrol" CJSC Armenian company working with the license of GFK Swiss research family left the market. The GFK Company did not want to make additional and quite big investments in Armenia and to modernize the equipment and technology to meet the requirements of the digital signal measurement, therefore, the "Telemediacontrol" company left the market. Instead, a newly established private company Admosphere Armenia" CJSC partnering with "Nielsen Admosphere" Czech measurement company has started to conduct television audience measurement. As a result, the "Admosphere Armenia" private company has been created which is currently conducts television audience measurement and is able also to measure digital signals.

In 2013, a new infrastructure element – a sales house - entered the TV advertising market, which is specialized in the sale of TV advertisement, by freeing the TV channels from this burden. This system has been successfully applied in some countries. However, in the case of Armenia, the sales house has monopolized the advertising market, thus creating favorable conditions for some TV channels, and highly discriminatory conditions for others.

The radio advertising market is quite small, and there are no market infrastructures here. Some advertising companies conduct monitoring independently.

In the last 7-8 years, due to cheaper, faster and more accessible circumstances of the internet, the number of Internet users and consequently, the significance of internet advertising sharply increased in Armenia. As of Internet advertising industry, in 2015, DG Sales company was established as a sales house. At the same time, this company performs as an advertising agency, and there is a need to distinguish the aspects of these types of activities of the company. In a fairly short period of time, DG sales house using its dual position, as well as some discount tools, has achieved a dominant position.

METHODOLOGY

The research studied the Armenia's advertising market for television, radio and Internet platforms from the perspective of the interconnection of the market participants and gaining a dominant position in the market. According to the audience measurement and monitoring methodology for TV channels, radio and Internet, the research studied advertising budgets of the media outlets and their share in the advertising market for the period of January-May, 2016. During the research, calculations are made based on advertising tariffs; the different types of non-tariff discounts are not taken into account with the approximation that the relations are of marketing and it is assumed that given discounts are also of the same type, hence, the ratio of the budgets remains the same.

DATA ANALYSIS

TELEVISION MARKET ANALYSIS

The TV advertising market is highly institutionalized, the budgets paid by the direct payer reach to the direct implementer primarily passing through two intermediate circles: the advertising agencies and the sales house. If the role of advertising agencies is obvious as an organizer of advertising campaigns, as provider and supervisor of the effectiveness of the advertising campaigns, then the value created by the sales house is not so obvious from the perspective of advertisers. At the same time, from the perspective of some TV companies which do not have developed departments of marketing services, this can play a key role in seeking advertisers and ensuring funding. Adjacently important is the activities of the TV audience measurement company, which measures the ratings of TV channels and TV programs, carries out media monitoring, as well as provides other useful information.

SELLERS' MARKET

All those who directly pay to the TV channels can be considered participants of seller's market. These include advertising agencies and advertisers when they are in direct contact with the TV channels, as well as the sales house. International Media Services sales house entered the Armenian media market in 2013. It owns the exclusive rights to sell advertising over five TV channels - Armenia TV, ATV, Armnews, Yerkir Media, and Shant TV. International Media Services sales house does not work directly with advertisers but exclusively through advertising agencies.

Advertising budgets of TV channels by pricelist – for January-May 2016, in AMD							
	January	February	March	April	May	Total	Share of only International Media Services Sales House
Armenia TV	242,375,840	354,697,200	414,018,680	314,979,960	401,049,560	1,727,121,240	74%
Shant	256,141,280	330,535,480	389,360,160	306,698,640	386,708,680	1,669,444,240	
ATV	174,482,000	226,318,400	251,302,000	202,381,600	221,688,400	1,076,172,400	
ArmNews	181,033,560	220,257,080	278,302,960	155,083,360	178,249,120	1,012,926,080	
Yerkir Media	116,606,720	148,306,560	181,415,000	83,957,280	98,018,440	628,304,000	
H1	45,648,316	43,321,088	57,555,360	55,241,884	68,368,276	270,134,924	
H2	264,578,880	231,440,880	240,708,720	162,266,400	227,613,600	1,126,608,480	
Ar	22,773,720	21,024,260	21,916,260	23,355,700	27,366,520	116,436,460	
Kentron	85,723,000	79,701,300	81,199,400	81,373,300	97,315,900	425,312,900	
Dar 21	34,325,400	35,102,400	33,660,900	25,416,600	29,013,300	157,518,600	
Ararat	17,465,750	17,513,250	18,077,750	20,058,500	20,166,500	93,281,750	
Total						8,303,261,074	

As seen in the table above, the data analysis for January-May 2016 shows that the share of the International Media Services sales house is 74% out of the total budget of TV channels.

According to the RA Law on Protection of Economic Competition, an economic entity shall be deemed as having a monopolistic position on a product market if it has no competitor as a seller (acquirer). An economic entity shall be deemed as having a dominant position on a product market if as a seller (acquirer) it captures at least one-third of the given market in terms of sale volumes. This shows that the International Media Services Sales House obviously has a dominant position in the market and abuses this position. Operational conditions of the International Media Services Sales House show that this company makes serious efforts to oust the TV channels from the market which are not included in its structure. For example, it uses up to 35% discounts mechanism for broadcasting ads on five TV channels included only in its structure, which means that the advertisers will prefer to place their ads on these five TV channels (including the most popular three TV channels: Armenia TV, Shant TV and ATV). It should be noted that in the TV advertising market, by the entrance of the International Media Services sales house in the market, no positive shift occurred as the sales house did not create equal conditions for developing TV advertising market rather began to dictate from its dominant position.

It is also important to note that the legislation of the Republic of Armenia on advertisement regulates the sales of TV advertisement by minutes rather than by rating points. In other words, formally, it seems there is no monopoly in terms of sold minutes, while from the perspective of television advertising budgets controlled by the

International Media Services sales house, monopoly is obvious. This circumstance speaks of the legislative gap in respective industries. The subject of the analysis was considered the airtime sold by the television channels expressed in minutes as well as the volumes of gross sold rating expressed by weighted gross rating points (wGRPs). The consideration of the two standards: minutes and rating points, is due to the fact that the RA Law on "Advertising", Article 9, defines the permissible volume of advertising in minutes. The volume of commercial advertising shall not exceed 14 minutes per hour while some TV channels such as Armenia TV, Shant TV, ATV, ArmNews and Yerkir Media TV channels, sell their advertising airtime by rating points, i.e. wGRPs. Meantime the International Media Services sales house, which sells ads on the mentioned TV channels, actually acts from the position of monopoly, by providing up to 35% discount for the so-called "exclusive placing" only over the mentioned 5 TV channels, due to which the majority of advertisers have to choose only the these TV channels.

Thus comparing the TV channels selling ads by minute with the TV channels selling by rating points, it becomes obvious that because of the monopolistic position, Armenia TV, Shant TV, ATV, Armnews and Yerkir Media TV channels are selling an average of 50% of the advertising airtime (expressed in minutes) allowed by the law, in the case when the remaining TV channels manage to sell only 25-30% of the advertising airtime. Moreover, if we consider the prime time period – from 18:00 in the evening to 24:59, it turns out that the International Media Services sales house is selling up to 70% of advertising airtime of the mentioned five TV channels while the remaining TV channels sell only 30-35% of the advertising airtime for the same period.

Observing the airtime of sold TV advertising minutes by months, we conclude to the following pattern: 64% of all sold TV advertising minutes belongs to five TV channels: Armenia TV, Shant TV, ATV, ArmNews and Yerkir Media.

The volume of sold TV advertising by advertising minutes for January-May 2016

	January	February	March	April	May
International Media Services	64%	65%	68%	62%	61%
Other TV channels in minutes	36%	35%	32%	38%	39%
Total	100%	100%	100%	100%	100%

If we look at the sold advertising airtime not in minutes but in gross rating points (wGRPs), it will turn out that the five TV channels belonging to the International Media Services Sales House have sold 81% of the advertising airtime; meantime the other TV channels have failed to sell even 20%.

The volume of sold TV advertising by gross rating points for January-May, 2016

	Sold by wGRP		
	Sold wGRP	Accessible wGRP	% sold
International Media Services	63 867,79	112591,9834	81%
Other	14 923,71	61156,68475	19%
Total	78791,5	173748,6682	

This situation may create favorable conditions for the users of advertising services but it restricts similar service providing companies in the market to offer full and complete services, and as a result, the majority uses the services of the International Media Services sales house, enabling this organization to take a dominant position throughout the territory of Armenia.

BUYERS' MARKET

TV channels perform as buyers in this market. The table below shows that the TV companies included in the holding of the Pan-Armenian Media Group Holding (PAMG) – Armenia TV, ATV, ArmNews - possess 46% of the budget share in the television advertising market, which means a dominating position.

TV advertising budgets for January-May 2016, in AMD							
	January	February	March	April	May	Total	Total PAMG
Armenia TV	242,375,840	354,697,200	414,018,680	314,979,960	401,049,560	1,727,121,240	3,816,219,720 46%
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The dominant position of TV channels included in the Pan-Armenian Media Group Holding primarily is due to their high TV ratings. At the same time, there is some uncertainty in the market about the data provided by television audience measurement Telemediacontrol company (now, Admosphere Armenia) from the perspective of both methodology and sampling. The activities of the "Admosphere Armenia" are not disclosed to the interested parties as much as necessary, which in turn causes such concerns. For avoiding such situations, the World Federation of Advertisers has developed a package of recommendations consisted of 10 points, which is published in the European Broadcasters Union website - www.ebu.ch. These requirements include data validity, reliability, ability to cover the entire market, complete transparency of methodology, users' equal access opportunity, fair price, quality control and so on. In Armenia, the operation of the "Admosphere Armenia" company is far from compiling with these standards. There is a big problem connected with is the sampling to be considered a representative sample, as well as transparency of the activities is not provided for beneficiaries.

The lack of confidence in television audience measuring company led to the fact that TV companies have ceased to fight for TV ratings. If earlier, there were such International rating programs in Armenian broadcast such as "Who Wants to be a Millionaire," the "Voice of Armenia", foreign TV series, currently, the local TV serials and their repetitions are dominant, which require fewer production costs.

RADIO ADVERTISING MARKET ANALYSIS

Radio advertising market is not big, it approximately makes a total of 6.5% of the TV market, an average of about 7 million AMD per month for each radio station (without discounts), therefore, no monopolization efforts are exerted for it. Here, the advertising sales are carried out by groups consisted of 2-5 radio stations, which are not formalized. These groups can conventionally be called Yerevan FM group (Yerevan FM, Public Radio, Auto Radio, My Radio), Radio Van group (Radio Van, Russkoye Radio, Radio Hay, Hay FM, Hit FM), Media Focus Group (Radio Ardzagank, Sputnik) and Pan Armenian Media Group (Radio Jan, Arm FM, Lav Radio). Radio Shanson and Radio Aurora are selling their own advertising airtime.

The study revealed that there are no players having a dominant position in the radio advertising market.

INTERNET ADVERTISING MARKET ANALYSIS

Internet advertising market is characterized by the fact that the participants of advertising market are financially weak and do not have the required marketing skills. In 2015, in the Internet advertising market, the DG Sales Company began to buy the exclusive rights for posting advertisements on some online platforms and declared itself as a sales house. Currently, the DG Sales Company possesses the exclusive right to posting advertisements in a number of most visited websites of the online advertising market, such as news.am, tert.am, Iragir.am, panarmenian.net news websites. DG Sales Company performs both as a sales house and as an advertising agency. As an advertising agency, it may have the biggest discounts for the online websites cooperating with thereto, and accordingly, be out of competition for many advertisers. Being a sales house, this company is particularly not interested in working with a low rating and newly-established websites. It appears that DG Sales company, by and large, does not solve the problem of development of the Internet advertising market as it is beneficial for the company to work with already established websites, and being in a predominant position, it hampers the flows of advertising budgets to newly-established websites.

As the table shows, in May 2016, the share of the DG Sales company is 41.3% of the online advertising market budgets, which is obviously considered to be a dominant position. The dynamics of the share of the DG Sales company out of the Armenian online advertising market for 5 months in 2016 is as follows:

	January	February	March	April	May
DG Sales	28,7%	32,2%	39,7%	38,2%	41,3%

Based on the two approaches underlying the calculation of online advertising, driven by the pricing policy of given websites, websites' ads sales for fixed banner spaces and websites selling advertisement by views, the study revealed that the DG Sales company has a dominant position in the Internet advertising market. It is conditioned by a number of factors; in particular, the majority of leading websites of the Armenian domain are included in this group. Six out of top 20 Armenian websites (according to similarweb.com) are included in the exclusive list of this company - news.am, tert.am, Iragir.am, rate.am, armfootball.am. The online advertising agency is also included in DG Sales Company.

Thus, DG Sales company occupies more than one-third of the Internet advertising market, which is a sign of dominant position. This company's price list offers up to 25% discount for an exclusive posting of ads on the websites included in its discount list. The aforementioned offer creates favorable conditions for users of services, however, it restricts the companies implementing similar services in the Internet advertising market offer their full and complete services, due to which many advertisers are using the services of DG Sales company, enabling this company to rank a dominant position in Armenia's online advertising market. The company takes advantage of its dominant position by applying a tough policy of discounts, trying to restrict the opportunities of posting advertisements on other websites.

ANALYSIS OF MEDIA OWNERS LIST

The analyses of interrelated owners do not disclose the clear information about the interconnection of various media owners. There are some exceptions, such as 50% shareholder of the "Sharm" advertising company is also the executive director of the Public Television. However, given the fact that no advertisements are on air of the Public television, such coincidences do not have significant impact on the market.

The study of the owners of advertising infrastructure companies showed that the only owner of the International Media Services Company that performs as a sales house of television advertisement also owns the 65% of the share of DG Sales company that performs as a sales house of Internet advertisement. These companies are interrelated, and this fact confirms the rumors spread out in the market that in the case of posting advertisements only by these two companies, the companies offer additional discounts, trying to consolidate the entire advertising market in their hands.

The list of media owners is not complete; it does not include the owners of CJSCs and those companies which are registered in offshore zones. At the same time, we learn from the website of the biggest media union of Armenia,

the Pan-Armenian Media Group (www.pamg.am) that a number of media outlets are included in one media holding. As for the television companies, they are Armenia TV, ATV and Armnews TV channels. In the United States, this holding is also presented by Pan Armenian TV Company. As for the radio companies, they are Radio Jan and Lav Radio. As for the online websites, they are Tert.am, Blognews.am websites as well as Pan Armenian Media advertising agency.

Although these media outlets have different owners, they perform as a single holding, which means that they are pursuing common business interests. The united interests of Armenia TV, ATV, Armnews TV companies are obvious, as these TV companies act united as TV platforms of the International Media Services sales house. Radio Jan and Lav Radio companies sell their advertising hour united. Tert.am and Blognews.am websites are acting united as Internet platforms of DG Sales Company.

CONCLUSIONS

In the television advertising market, there are players with a dominant position, in the relation of which the Armenian Center for Political and International Studies NGO has applied to the RA State Commission for the Protection of Economic Competition regarding the abuse of dominant position by International Media Services LLC. In the Internet advertising market, there are also players with a dominant position, in the relation to which the Armenian Center for Political and International Studies NGO has also applied to the RA State Commission for the Protection of Economic Competition regarding the abuse of dominant position by the DG Sales Company. In the TV advertising market, there is a lack of confidence in the company conducting television audience measurement. The presence of participants of the advertising market with dominant position restricts the independence of media. The findings of the study showed that the radio advertising market is relatively independent and competitive.

RECOMMENDATIONS

- To conduct an independent audit of the activities of the "Admosphere Armenia" TV audience measuring company in terms of methodology, used programs and options in order to increase the confidence in the TV ratings, to promote competition between the TV companies, to spend the advertisers' budgets more effectively and to increase the independence of media, it is necessary..
- It is recommended to establish an advertisement industrial committee in compliance with the international standards, the priority of which will be the organization of this audit. To finance the audit, it is recommended to apply to the advertising companies as well as to the major international advertisers or international organizations. It is necessary to make the activities of TV audience measurement company open, transparent as possible and according to the MFA and EBU standards; it should always be kept under the control of participants of the advertising market.
- Further study of the advertising market regarding the possible interrelation of Pan Armenian Media Group, Telemediaccontrol, Admosphere Armenia and International Media Services companies. These activities can be conducted by the recommended advertising industrial committee. The regulation of the activities of television audience measurement company will enable to create the second sales house, which will significantly increase the advertising capacities of other TV companies left out of the International Media Services Company.
- To revise the legislation regulating television advertising as it currently regulates the sale of the advertisement by minutes whereas, in reality, the sale is mainly organized by gross rating point.
- To amend the Law on Mass Media to regulate the activities of Internet platforms, this will enable to clarify their advertising potentials and will make their financial operations transparent and accountable.

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