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Advertisement in Armenian Media: Market Relations or Controlled Financial Flows?

Advertisement is generally regarded as the main source of revenue for mass media. How the market of mass media commercials is organized in Armenia? How are the ad revenues distributed in the media market; how independent is this business; are there any centralization trends and players with dominant positions? To discuss all these questions, on September 29, 2016, the Committee to Protect Freedom of Expression (CPFE), with the assistance of the Open Society Foundations – Armenia, organized a forum on the Structure of Mass Media Advertisements Market in Armenian and the Opportunities for Liberalization of the Market.

In the opening speech the CPFE Chairman Ashot Melikyan said that the topic for the discussion was selected in the light of the serious problems facing the sector and affecting the media business. “One of the permanently discussed topics in media sector is the issue of ad market: can the existing environment be called a ‘market’, and if so, how liberal is it? To discuss this topic we invited independent experts and representatives of media, public institutions, advertisers and ad agencies,” said Ashot Melikyan.

Gayane Mamikonyan, Coordinator of Media Projects, OSI-Armenia, greeted the Forum and informed the participants that the Armenian Center for Political and International Studies (ACPIS), with the assistance of OSI-Armenia, carried out a research to assess the status of mass media ad market in Armenia and to determine if there is any risk for monopolization, and if so, to propose possible remedies.

The next speaker was Aghasi Yenokyan, Director of the Armenian Center for Political and International Studies (ACPIS), who presented the results of the study done by ACPIS. He said that the study focused on ad market issues in television, radio and internet media. As for the printed media ad market, the speaker said it was not included in the study because of its small size. The study was done in Yerevan in January-May 2016. The study showed that in the ad market of TV and internet media there are players with dominant positions, and in case of TV media, those include both the suppliers and the users of ad services.

Media International Services sales house (an intermediary between TV broadcasters and advertisers) that entered the Armenian media ad market in 2013, currently holds the exclusive rights for advertising on five TV channels (namely: Armenia TV, A TV, Armnews, Yerkir Media, and Shant TV) and controls 74% of the ad market in Armenia. According to Aghasi Yenokyan, this company takes serious measures to affect the TV channels not included in its group. For instance, the company offers a 35% discount if the advertiser agrees to the condition of advertising solely in the 5 channels of the group (including the most popular ones: Armenia TV, A TV and Shant TV). “By using these mechanisms of economic influence the company abuses its dominant position in the market”, said Mr. Yenokyan.

After studying the situation with placing of advertisement on TV channels, ACPIS researchers figured out that the TV channels included in Pan Armenian Media Group (PAMG) holding get 46% of all the advertisement in the ad market of Armenia. Thus, this holding has a dominant position and can influence the advertisement policy.

As for the radio broadcasting sector, the situation, according to Mr. Aghasi Yenokyan, is not very bright here. “The radio ad market is small and hardly reaches 6.5% of the TV ad market size. For this reason no efforts are made to monopolize this market”, explained the leader of ACPIS.

Speaking about online media, the researcher said that although the sector is rapidly growing, the online media are still financially weak and lack necessary marketing capacities. “DG Sales” that entered the market in 2015, started the process of buying exceptional rights for placing advertisement in a number of online sources, and soon declared itself a sales house. Now it holds exceptional rights for advertising on such highly ranked online media platforms as «News.am», «Tert.am», «Lragir.am», «Panarmenian.net» etc. The study showed that as of May 2016 this company controlled 41.3% of the total online media ad market budget, which, according to Mr. Aghasi Yenokyan, can be certainly qualified as a dominant market position. Mr. Yenokyan said that the policy of DG Sales in online media market is quite similar to the policy of Media International Services in TV market. By applying damping level discounts DG Sales attempts to limit the opportunities for other online media sources in offering advertising services.

The study covered also the issue of ownership of the leading companies in media ad market. “The study revealed a number of cases of obvious conflict of interests,” said Mr. Aghasi Yenokyan. “For instance, one of the principal shareholders of SHARM is also the Manager of Public TV. Another example: the same

person controls a number of ad agencies, like in the case of DG Sales and Media International Services that are owned by the same person.”

Based on the findings of this study, the Armenian Center of Political and International Studies filed reports on monopolization of advertising business in TV and online media sectors to the State Commission for Protection of Economic Competition (SCPEC).

Talking about the same issue, the Head of the Administrative Proceedings Division of the Legal Department of the SCPEC Mr. Arsen Hovanisyan informed the participants that the Commission started a proceeding based on the submitted reports and organized public hearings and working discussions with participation of the representatives of the mentioned companies. “This is an entirely new challenge for our Commission, since we have never dealt with such reports before. The issue is in the focal point of our attention, and when the administrative proceeding is over, the Commission will take a respective decision and publicize the results of the investigation,” said Mr. Arsen Hovanisyan. The speaker presented to the Forum the statutory functions and procedures of Commission.

Participants of the Forum raised a number of issues on politicization of media ad business, on government control, entities with dominant market positions and ownership of such entities.

In this sense, the findings of the ACPIS study that can give some guidance to market participants for finding a way out of this situation are very important. For example, the Report recommends to carry out an independent audit in Admosfer Armenia whose business is to measure the audience of TV channels for promoting fair competition. Based on international experience the Forum proposed to create an Industrial Advertisement Committee which would monitor also the activities of the audience measuring organization. The Forum proposed also to carry out another study for revealing possible affiliation (if any) between Pan Armenian Media Group, Telemediacontrol, Admosfer Armenia and Media International Services.

In the light of new developments in the ad market according to which the TV advertisement may be allocated based on rating points, the Forum proposed to make respective amendments in the Republic of Armenia Legislation, including: “Television and Radio Law”, “Advertisement Law” and “Media Law”.