



TI Georgia: Advertising market is stagnating but has become depoliticized and more competitive

Tbilisi, 28 June 2013. The Georgian advertising sector has become more competitive after the October Parliamentary elections and politics no longer appears to play a major role in the allocation of companies' marketing budgets. However, due to perceived political uncertainty, a decline in domestic and foreign investments, as well as changes of ownership and management of several television stations and advertising companies, private sector advertising spending in Georgia did not grow, a new report by Transparency International Georgia entitled *The Georgian Advertising Market – Competition at Last?* finds.

Key findings of the report

- Shortly after the change of government, the structure of the advertising market saw significant changes: General Media, the company that previously held a monopoly on selling advertising on national TV, no longer exists; TV stations now compete against each other for advertising clients, using different sales teams.
- Politics no longer plays a significant role in the allocation of advertising budgets. Companies at this point do not appear to practice self-censorship when planning marketing budgets.
- Former Defense Minister Davit Kezerashvili, who had controlled several key companies in the advertising sector in 2011 and 2012 – resulting in a strong politisation and concentration of the sector – appears to be no longer involved. Several of his advertising companies are now held by David Iakobashvili, a Russia-based businessman of Georgian origin.
- TI Georgia estimates that total advertising spending in 2012 was around USD 54 million, including at least USD 8 million of spending by political parties. Television continues to account for approximately 72 percent of all advertising spending, with close to 95 percent of this money going to Tbilisi-based stations. Approximately 11 percent of advertising spending goes to outdoor advertising, closely followed by radio (10 percent). Print media receives approximately 5 percent of advertising spending. While Internet advertising is growing, it only accounts for about 2 percent of Georgian advertising spending.
- While both Rustavi 2 and Imedi saw a decline in advertising revenues, Maestro, Kavkasia and TV9 saw a strong increase in revenues in 2012, with strong growth ahead and shortly after the elections. After December, their monthly revenues took a sharp decline. Market stakeholders interviewed by TI Georgia believe that such growth in ad revenues was at least partly an emotional response to political developments, rather than a decision based on marketing assessments, broadcasters' content, and ratings.
- Investors continue to remain careful and concerned about perceived political instability and coming presidential elections in autumn 2013. A decline of private

sector advertising spending this year appears highly likely, due to a strong decline in spending in the first three months of this year after companies' tightened advertising budgets and economic growth slowed down. Now, much depends on when local and international investors regain their confidence that the country provides a stable environment for building and growing businesses.

“Many media outlets, especially those located outside Tbilisi, continue to lack qualified staff that would be able to engage companies and generate advertising revenues”, says Mathias Huter, a Senior Media Analyst with TI Georgia. “As politics is no longer a major factor in businesses' allocation of marketing budgets, media outlets that provide serious reporting really need to increase their efforts to become financially sustainable. These efforts should include the building of new partnerships with advertisers and other outlets in their sector in order to improve available audience data and encourage more advertising spending by highlighting its positive impact for businesses.”

Parliament should consider reversing an amendment to the Law on Broadcasting made in 2011 that extended the maximum time a TV station is allowed to air advertising per hour. By limiting supply of advertising time during prime time, stricter rules would help to stabilize and sustainably grow the rates of national TV stations and encourage more diversification businesses' advertising spending.

Donors should continue and intensify efforts to provide media outlets, especially smaller outlets based outside Tbilisi, with training opportunities in management, distribution and advertising sales, while encouraging and supporting stronger cooperation between media outlets and innovative approaches to generate more income.

Find the full report at <http://transparency.ge/en/advertising-market>.

For further information , please contact:

Diana Chachua, diana.chachua@transparency.ge, 577 779 639

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