

The Georgian Advertising Market



Transparency International
Georgia

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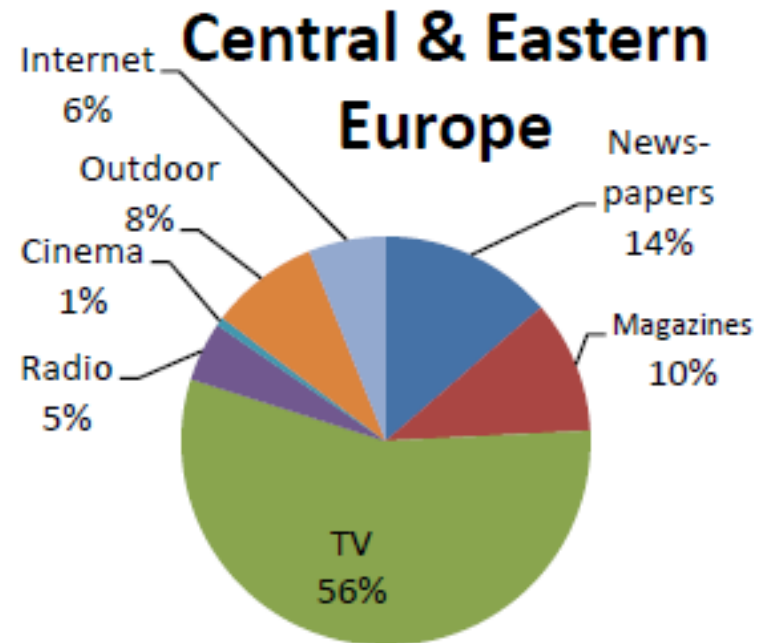
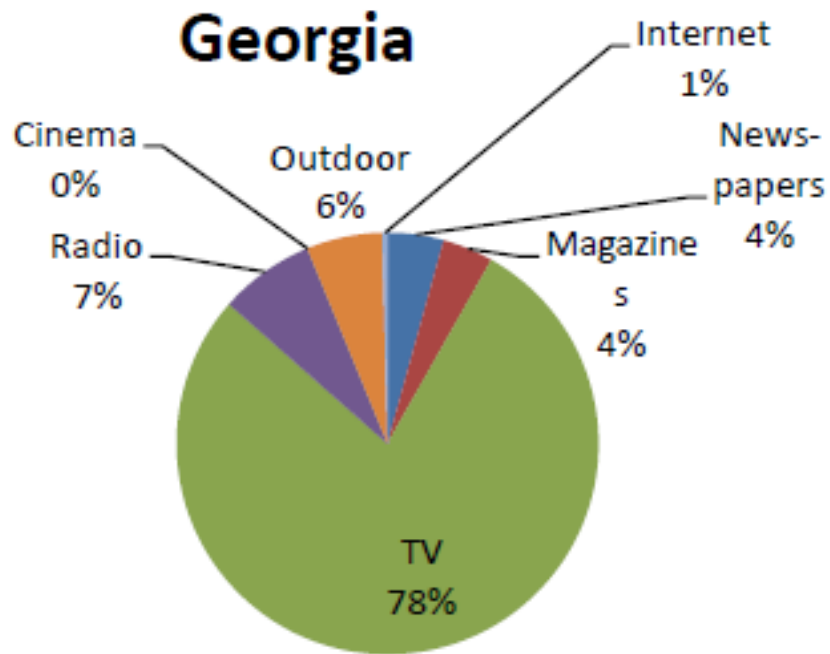
Overview

- Size and distribution of the Georgian advertising market, main advertisers
- Key characteristics of the Georgian market
- Politics as an important factor
- Key players
- Growth potential
- Conclusions

Methodology

- Desk research
 - Analysis of Georgian legal framework and the regulatory environment in other relevant countries
 - Commercial data (ZenithOptimedia, AGB Nielsen)
 - Public opinion surveys (CRRC)
 - Public data (company ownership records, income & asset declarations, FOI requests, GNCC data)
- About 30 expert interviews

Distribution of gross advertising expenditure (2009)



Source: ZenithOptimedia, Central and Eastern Europe Market & Mediafact 2010

Estimated net advertising market (2010)

Medium	Net ad-spend USD
Newspapers & magazines	3.5 to 4.5 million
TV*	35 million
Radio*	2.2 million
Outdoor	2 to 4 million
Online	0.5 to 1 million
Total	43 to 46.5 million

* Exact data provided by GNCC

Estimate by TI Georgia, based on 2010 data from the Georgian National Communications Commission, the Georgian Public Broadcaster, and 2009 data from ZenithOptimedia/AGB Nielsen (exchange rate: GEL 1 = USD 0.566)

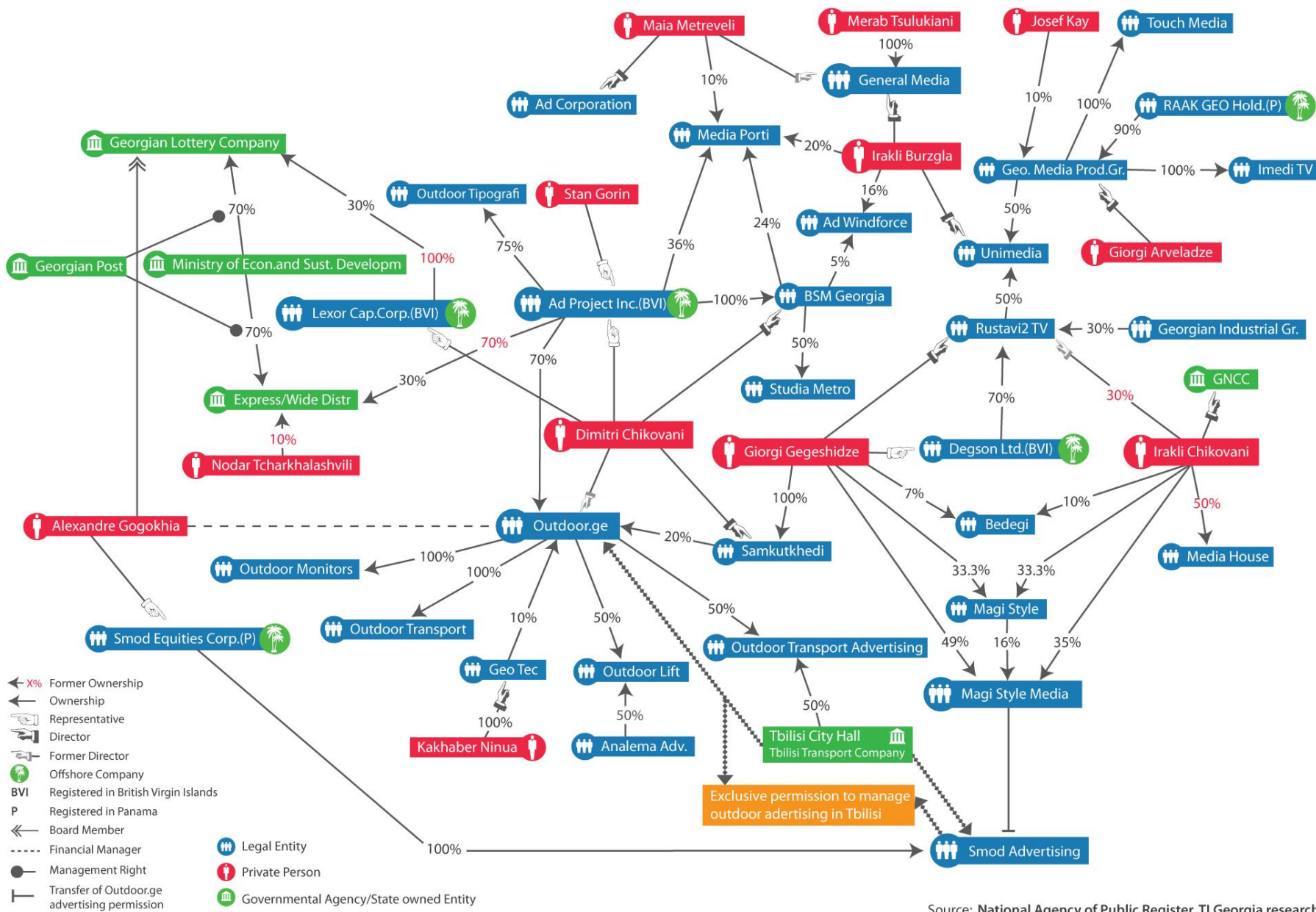
Main private sector TV advertisers (Jan-Sept 2011, gross spending)

1. Procter & Gamble	11. Aversi	21. GPC	31. Penthouse Club
2. Geocell	12. Colgate Palmolive	22. Aldagi-BCI	32. Ficosota Syntez
3. Kraft	13. PSP	23. Wrigley's	33. Respublika Bank
4. Magti GSM	14. Reckitt Benckiser	24. Coca Cola	34. Liberty Bank
5. Saqartvelos Banki	15. Georgian Lottery	25. GPI Holding	35. Barambo
6. Mobitel	16. GlaxoSmithKline	26. Castel	36. Wimm-Bill-Dann
7. Natakhtari	17. Berta	27. Unilever	37. Procredit Bank
8. TBC Bank	18. Nestle	28. Georgian Cinemas	38. Beko
9. Silknet	19. Schwarzkopf	29. Tbilisi Event Hall	39. Italfood
10. Mars	20. Henkel	30. Elit Electronics	40. Openrevolution Georgia

Source: AGB Nielsen

Key Characteristics

- Lack of data
 - Exception: TV
 - Multinational advertisers want verified numbers
- Dominant market players: lack of competition
 - General Media manages about 70% of ad-spending
 - Outdoor.ge
- Unsustainably low prices
 - Low prices for ads on national TV leave little money for other media
 - Ad-market too small in order to support current media landscape
 - Even largest media outlets are losing money
- Political influence and government interference
 - Private sector: climate of self-censorship
 - Blurring lines between companies and government
- Lack of ownership transparency
 - Frequent changes in official company ownership
 - Use of offshore-companies and straw men



Source: National Agency of Public Register, TI Georgia research

Strongly Politicized Ad-Market

- Network with ties to former Defense Minister Davit Kezerashvili controls large parts of the sector
- Strong indications that companies are scared of being associated with critical outlets
 - Climate of self-censorship in the private sector
 - Refusal of free ad-space in some outlets
- Role of the government ahead of 2012/2013 elections
 - Government ads in selected media outlets (TV, Tabula, 24 Hours)
 - Ownership of newspaper kiosks
 - Outdoor.ge as a dominant player in outdoor advertising

TV market shares and ad-sales

Year	2010	2011 (Jan-Sept)	
Channel \ Market share	Market share %	Market share %	Ad sales house/comments
Imedi	29.84%	31.56%	General Media
Rustavi2	29.18%	28.88%	General Media
Others	11.25%	10.14%	Other use of TV set (DVD, games etc)
GPB – 1 st Channel	5.53%	4.49%	General Media (until April 2011) – limits on ads
Other Foreign	4.39%	5.57%	Foreign
Sakartvelo	3.80%	4.27%	General Media
Other Russian	2.62%	1.94%	Foreign
Region TV	2.36%	2.57%	To be merged with GPB's - Kanal PIK
Evrika	2.08%	1.51%	License used by Patriarch's TV – no commercials
MZE	1.62%	1.34%	General Media
Kavkasia	1.61%	1.12%	Independent
Other Georgian	1.33%	1.67%	Independent (includes regional channels)
Ajara	1.10%	1.07%	Government TV – sells ads
Maestro	0.88%	1.28%	Independent
I Stereo	0.84%	0.81%	General Media
Music Box	0.77%	0.57%	Independent
GPB – 2 nd Channel	0.50%	0.90%	GPB – no ads
Real TV	0.30%	0.31%	General Media

Source: AGB Nielsen, TI Georgia research

Growth potential

- Growth potential
 - Indications that advertisers are spending less than they might be willing to spend
 - Ad-prices significantly lower than in Armenia and Azerbaijan
 - 20 to 30% net ad-spend growth per year in a market like Georgia seem realistic (given current economic growth rate of 5%/year)
 - More data likely to support growth and lead to a more professional and competitive sector

Conclusion

- More audience data needed to promote competition, sustainability and growth in the advertising and media sector
 - Radio, print, online
- Need for more cooperation between independent media outlets in advertising sales
 - Challenging the dominant position of General Media
- Sector needs to be driven by market forces, not politics
- More competition and less political interference are likely to produce strong growth
 - Publication of ad spending by government agencies
- Improved conflict of interest rules should be discussed