

## Chapter 2. Russia's advertising market in 2013

According to the Russian Association of Communication Agencies (RACA), the value of Russia's advertising market totaled RUB 328bn in 2013, up 10% year-on-year. All market segments except printed publications saw positive dynamics.

### The value of the Russian advertising market, bn rubles

Segment	2013	Growth in 2013
<b>TV</b>	<b>156.2</b>	<b>9%</b>
<i>FTA</i>	152.2	9%
<i>cable and satellite</i>	4.0	20%
<b>Internet</b>	<b>71.7</b>	<b>27%</b>
<i>display advertising</i>	20.1	12%
<i>contextual advertising</i>	51.6	34%
<b>Printed publications</b>	<b>37.0</b>	<b>-10%</b>
<i>newspapers</i>	8.7	-9%
<i>magazines</i>	18.5	-8%
<i>advertising publications</i>	9.9	-15%
<b>Radio</b>	<b>16.5</b>	<b>13%</b>
<b>Outdoor advertising</b>	<b>40.7</b>	<b>8%</b>
<b>Other media</b>	<b>5.7</b>	<b>16%</b>
<i>indoor advertising</i>	4.4	15%
<i>advertising in movies</i>	1.3	17%
<b>TOTAL</b>	<b>327.8</b>	<b>10%</b>

Source: RACA

The value of advertising placed on TV totaled RUB 156.2bn in 2013, a 9% rise from 2012. The share of the TV segment in the structure of Russia's advertising market remained almost unchanged throughout the year and amounted to 48%. Thus, TV retained its position as the largest advertising media on the Russian market. The advertising revenue of FTA channels climbed 9% year-on-year to RUB 152.2bn and the value of advertising placed on cable and satellite channels increased 20% year-on-year to RUB 4bn.

In 2013, specialists of MediaLogics, a research division of VivaKi communications agency group, carried out a survey in which they compared the levels of TV viewing in Russia in 2012 and 2013. MediaLogics experts estimated that the general level of TV viewing in 2013 remained unchanged from 2012. However, the structure of TV viewing changed: federal and large network channels are gradually losing popularity with the audience whose interest is shifting towards specialized channels. MediaLogics projects further growth in audience of non-free-to-air (NFTA) TV channels in 2014.

The share of advertising expenditures in the Internet segment reached nearly 22%, up from 19% a year earlier. The Internet is the second-largest advertising market segment. The value of advertising

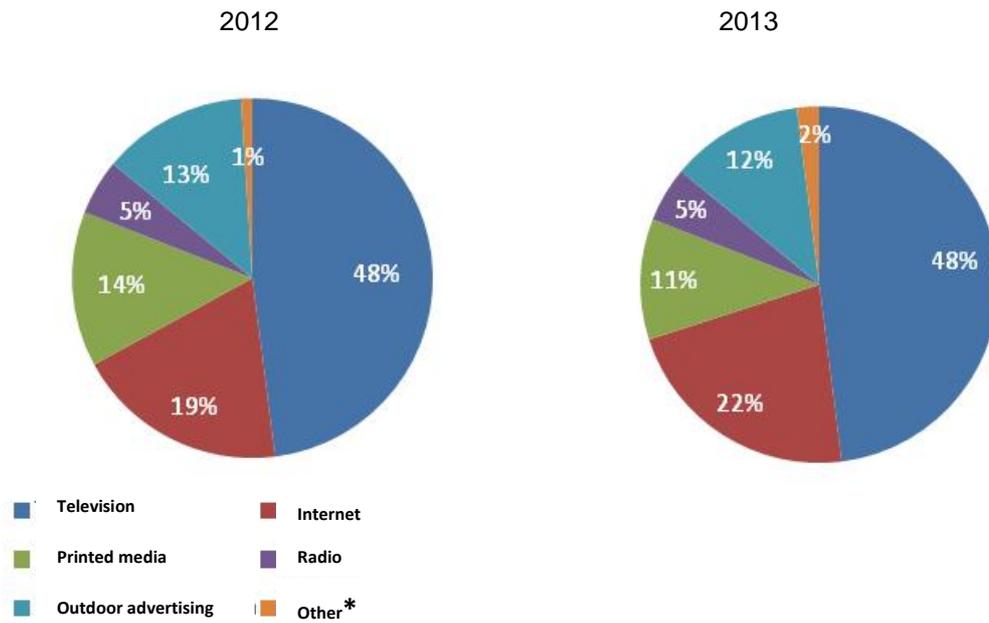
placed on the Internet, according to RACA's data, amounted to RUB 71.7bn, rising 27% from the level of 2012. Spending on display advertising amounted to RUB 20.1bn, up 12%, and the value of contextual advertising increased 34% to RUB 51.6bn.

According to a poll conducted by the Public Opinion Foundation (FOM) in the fall of 2013, the number of people who go online at least once a month amounts to 66.5m or 57% of the country's population aged 18 and older. The share of active users who browse the Internet at least once in a day amounts to 46% or 53.2m people. The annual increase in the number of users who go online at least once a month amounted to 9%, while the audience that uses the Internet at least once a day grew 14%.

Printed media are the fourth-largest segment of the Russian advertising market (after TV, the Internet and outdoor advertising). The share of printed publications amounted to 11% as of the end of 2013. RACA estimated that the amount of advertising in printed publications reached RUB 37.0bn in 2013, falling 10% compared to 2012. Of the total, advertising in magazines amounted to RUB 18.5bn, down 8%; advertising in newspapers decreased 9% to RUB 8.7bn; and in advertising publications declined by 15% to RUB 9.9bn. The situation in printed media reflects the recent objective trends related to the growth of the Internet and development of mobile devices. Market participants concur that despite the negative dynamics printed publications are likely to maintain their role as suppliers of news, specialized information, and industry-based research. Successful implementation of this task will depend on the ability of publishers to find an effective business model that would not merely replace printed publications with online media, but supplement them with new tools that meet the needs of today's readers. Additionally, the advertising revenue of printed publications was negatively impacted in 2013 by a ban on advertising of alcohol products in printed media and a total ban on tobacco product advertising.

Market participants noted that the growth of the Russian advertising market will slow next year compared to 2013. This is largely attributable to the fact that the market reached a certain level of maturity, which is why it is no longer able to achieve high growth rates year-on-year. Moreover, the advertising market environment in 2014 will feel the strong effect of Russia's economic situation. ZenithOptimedia projects that the Russian advertising market will grow 8.6% in 2014. According to the agency's experts, the value of advertising placed on the Internet in Russia will rise 23% year-on-year, spending on TV advertising will grow 6.5%, while the printed media advertising market will see a decline by 8%.

Structure of Russia's advertising market



\*advertising in movies, indoor advertising

Source: data is provided by RACA